

October 30, 2024

Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,615		1,680	
Sales (Rs. m)	2,97,488	3,14,101	3,01,336	3,20,228
% Chng.	(1.3)	(1.9)		
EBITDA (Rs. m)	73,014	71,154	74,732	74,156
% Chng.	(2.3)	(4.0)		
EPS (Rs.)	62.8	61.9	64.4	64.8
% Chng.	(2.4)	(4.6)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	2,57,749	2,70,099	2,97,488	3,14,101
EBITDA (Rs. m)	62,919	66,614	73,014	71,154
Margin (%)	24.4	24.7	24.5	22.7
PAT (Rs. m)	41,224	45,943	50,717	49,938
EPS (Rs.)	51.1	56.9	62.8	61.9
Gr. (%)	47.1	11.4	10.4	(1.5)
DPS (Rs.)	9.3	10.2	11.3	12.4
Yield (%)	0.6	0.7	0.8	0.8
RoE (%)	16.5	16.1	15.7	13.8
RoCE (%)	20.4	19.3	18.8	16.1
EV/Sales (x)	4.6	4.3	3.8	3.5
EV/EBITDA (x)	18.9	17.5	15.6	15.6
PE (x)	28.9	26.0	23.5	23.9
P/BV (x)	4.5	3.9	3.5	3.1

Key Data

CIPL.BO | CIPLA IN

52-W High / Low	Rs.1,702 / Rs.1,165
Sensex / Nifty	80,369 / 24,467
Market Cap	Rs.1,193bn / \$ 14,192m
Shares Outstanding	808m
3M Avg. Daily Value	Rs.2635.16m

Shareholding Pattern (%)

Promoter's	30.91
Foreign	28.80
Domestic Institution	23.95
Public & Others	16.34
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(11.7)	4.9	25.8
Relative	(5.9)	(2.5)	(0.1)

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In line quarter; timely launches in US will be key

Quick Pointers:

- Reiterate 24.5-25.5% EBITDA margins for FY25
- US sales to see dip in Q3 to below \$220mn

CIPLA's Q2FY25 EBITDA (Rs19bn; 26.7% OPM) was broadly in line with our estimates. Overall India and US sales growth were muted in Q2 due to seasonality and supply issues in Lanreotide respectively. While India should recover from Q3, US sales will see dip in Q3 with likely recovery from Q4. Despite delay in some key launches like gAdvair and gAbraxane, ramp-up in gRevlimid, market share increase in gAlbuterol and new launches like Lanreotide supported US sales. We continue to remain positive on key segments growth including India & US given 1) strong traction in respiratory & other portfolios, 2) potential 9-10% growth in domestic formulations and 3) sustainability of current US revs. Our FY26E/27E EPS stands reduced by 3-4%. At CMP, stock is trading 23x FY26E EPS. We maintain our 'Accumulate' with revised TP of Rs1,615/share. Timely critical launches of 3-4 products in US in FY26/27 will be key, as it will help to compensate decline in key products like gRevlimid and Lanreotide.

- Miss in US & India sales:** CIPLA's Q2FY25 sales increased 6% YoY to Rs70.5bn. Domestic formulation sales reported moderate growth of 5% YoY vs our est of 9% impacted across Rx and Gx due to change in seasonal pattern. US sales came in at \$237mn, down QoQ (\$250mn in Q1). One Africa reported strong growth of 22% YoY. API revenues came in higher with 9% YoY growth.
- In-line EBITDA aided by higher GMs:** GMs came in higher at 67.1% expanded by 220bps YoY and 20bps QoQ. EBITDA came in at Rs19bn, broadly in line with our estimate (Rs19.2bn). OPM stood at 26.7%, up 100bps QoQ. R&D expenses came in at Rs3.85bn, 5.5% of revenue, up by mere 1.6% YoY. Ex of R&D cost other expenses were up 11% YoY and 4% QoQ. Other income came in higher at Rs1.9bn. PAT came in at Rs13bn; up 15% YoY.
- Key concall takeaways: Domestic formulation:** Revenue growth was moderate, affected by changes in seasonal pattern. Key chronic therapies continue to outperform in the prescription (Rx) market. Cardiac (+11.5%), Respiratory (+8.5%) and Urology (+15.5), delivered healthy YoY growth. Anti-infectives reported subdued growth impacted Rx and trade generics. Chronic mix remained steady at 61.5% in Q2FY25. MR strength stood at 7800. **Consumer health:** Nicotex, Omnigel, and Cipladine continued to hold leading positions in their respective segments. Grew by 21% YoY. **US business:** On **Lanreotide** facing supply issues at partner end. Expect sales to further decline in Q3 and likely to resolve from Q4FY25. Enjoyed 35% market share with combined 505 b(2)+generic. The QoQ decline in US sales was on account of lower Lanreotide sales and price erosion in base business. Received four drug approvals including one peptide in Q2FY25. Market share in gAlbuterol further increased to 19% in Q2FY25 vs 17% in Q1FY25 and have witnessed not much impact from new generic competition. On gAdvair reiterate its guidance of

H1FY26 launch. Goa facility is currently awaiting classification following inspection in June 2024. Launch of gAbraxane is dependent upon of clearance of Goa facility. Reiterated its margin guidance of 24.5-25.5% in FY25. R&D spend at 5.5% of sales driven by product filings. Guided for three niche respiratory launches- gSymbicort, gQvar and gDulera in FY27. SouthAfrica business growth was aided by uptick in key therapies, new launches and tender business. Net cash position stands at Rs 80bn.

Exhibit 1: 2QFY25 Result Overview (Rs mn) – In-line EBITDA, GMs improved

Y/e March	2QFY25	2QFY24	YoY gr. (%)	1QFY25	QoQ gr. (%)	1HY25	1HY24	YoY gr. (%)
Net Sales	70,510	66,781	5.6	66,939	5.3	137,450	130,070	5.7
Raw Material	22,886	23,131	(1.1)	21,929	4.4	44,815	45,499	(1.5)
<i>% of Net Sales</i>	<i>32.5</i>	<i>34.6</i>		<i>32.8</i>		<i>32.6</i>	<i>35.0</i>	
Personnel Cost	12,079	10,911	10.7	11,942	1.1	24,021	21,577	11.3
<i>% of Net Sales</i>	<i>17.1</i>	<i>16.3</i>		<i>17.8</i>		<i>17.5</i>	<i>16.6</i>	
Others	16,745	15,402	8.7	15,910	5.2	32,656	30,718	6.3
<i>% of Net Sales</i>	<i>23.7</i>	<i>23.1</i>		<i>23.8</i>		<i>23.8</i>	<i>23.6</i>	
Total Expenditure	51,710	49,444	4.6	49,781	3.9	101,492	97,794	3.8
EBITDA	18,800	17,337	8.4	17,158	9.6	35,958	32,276	11.4
<i>Margin (%)</i>	<i>26.7</i>	<i>26.0</i>		<i>25.6</i>		<i>26.2</i>	<i>24.8</i>	
Depreciation	2,717	2,900	(6.3)	2,467	10.2	5,184	5,293	(2.0)
EBIT	16,082	14,437	11.4	14,691	9.5	30,774	26,984	14.0
Other Income	1,906	1,763	8.1	1,602	19.0	3,508	3,126	12.2
Interest	154	258	(40.3)	180	(14.2)	334	422	(21.0)
PBT	17,835	15,942	11.9	16,114	10.7	33,948	29,688	14.3
Extra-Ord. Inc./Exps.	-	-		-				
Total Taxes	4,830	4,384	10.2	4,351	11.0	9,181	8,164	12.5
<i>ETR (%)</i>	<i>27.1</i>	<i>27.5</i>		<i>27.0</i>		<i>27.0</i>	<i>27.5</i>	
Minority interest	25	(249)		14		38	(258)	
Reported PAT	13,029	11,309	15.2	11,776	10.6	24,805	21,266	16.6

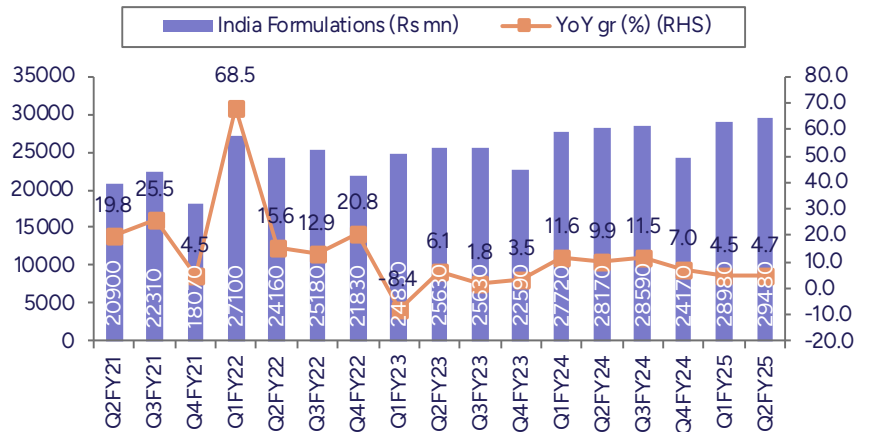
Source: Company, PL

Exhibit 2: Sources of Revenue – US revenues dip QoQ, Moderate growth from domestic business

Revenue break up (Rs mn)	2QFY25	2QFY24	YoY gr. (%)	1QFY25	QoQ gr. (%)	1HY25	1HY24	YoY gr. (%)
Domestic market	29,480	28,170	4.7	28,980	1.7	58,460	55,890	4.6
<i>% of Sales</i>	<i>41.8</i>	<i>43.4</i>		<i>43.3</i>		<i>42.5</i>	<i>43.6</i>	
International market (Exports)	41,020	36,730	11.7	37,940	8.1	78,960	72,290	9.2
<i>% of Sales</i>	<i>58.2</i>	<i>56.6</i>		<i>56.7</i>		<i>57.5</i>	<i>56.4</i>	
North America	19,860	18,870	5.2	20,870	(4.8)	40,730	37,090	9.8
<i>% of Sales</i>	<i>28.2</i>	<i>29.1</i>		<i>31.2</i>		<i>29.6</i>	<i>28.9</i>	
SAGA	10,680	8,620	23.9	6,950	53.7	17,630	16,100	9.5
<i>% of Sales</i>	<i>15.1</i>	<i>13.3</i>		<i>10.4</i>		<i>12.8</i>	<i>12.6</i>	
International markets	8,060	6,770	19.1	8,490	(5.1)	16,550	14,560	13.7
<i>% of Sales</i>	<i>11.4</i>	<i>10.4</i>		<i>12.7</i>		<i>12.0</i>	<i>11.4</i>	
APIs	1,600	1,470	8.8	980	63.3	2,580	2,830	(8.8)
<i>% of Sales</i>	<i>2.3</i>	<i>2.3</i>		<i>1.5</i>		<i>1.9</i>	<i>2.2</i>	
Others	820	1,000	(18.0)	650	26.2	1,470	1,710	(14.0)
<i>% of Sales</i>	<i>1.2</i>	<i>1.5</i>		<i>1.0</i>		<i>1.1</i>	<i>1.3</i>	
Total	70,500	64,900	8.6	66,920	5.3	137,420	128,180	7.2

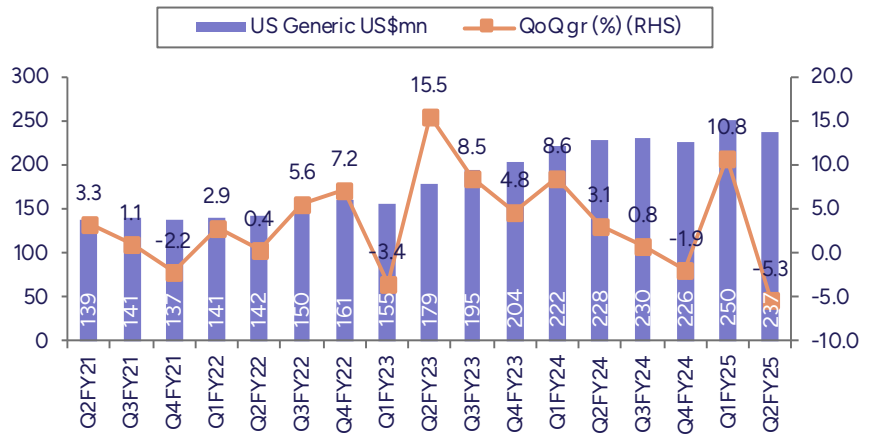
Source: Company, PL

Exhibit 3: Seasonality impacted Rx & trade generics performance



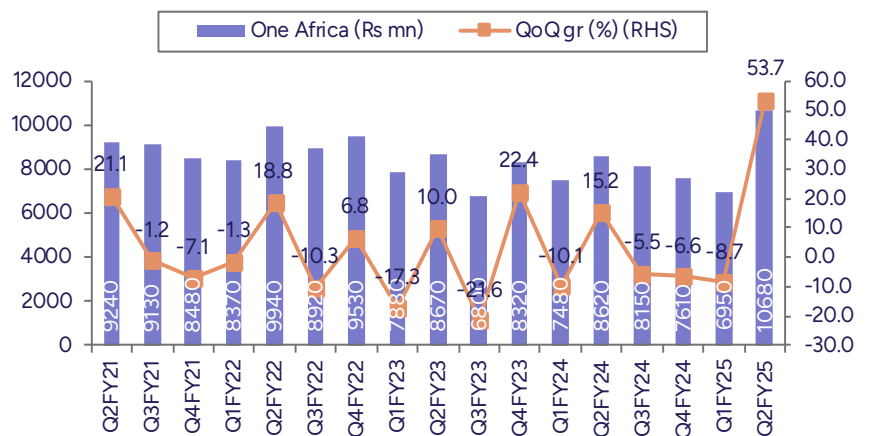
Source: Company, PL

Exhibit 4: Market share increased for key products



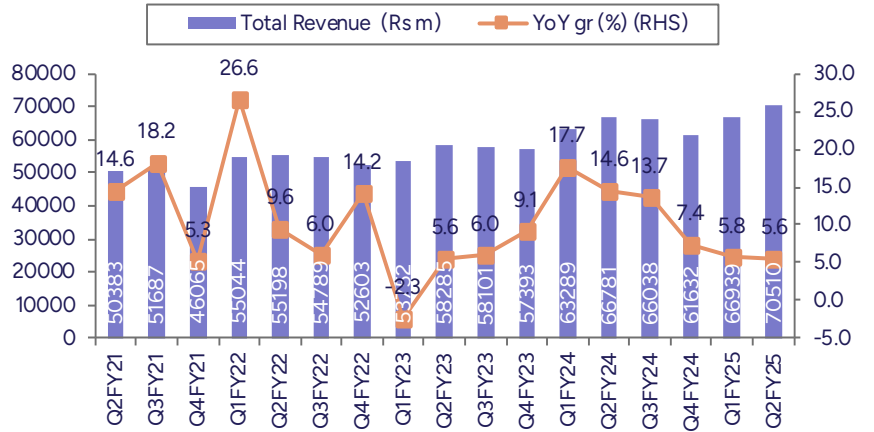
Source: Company, PL

Exhibit 5: *One Africa: SA private market outpaced growth



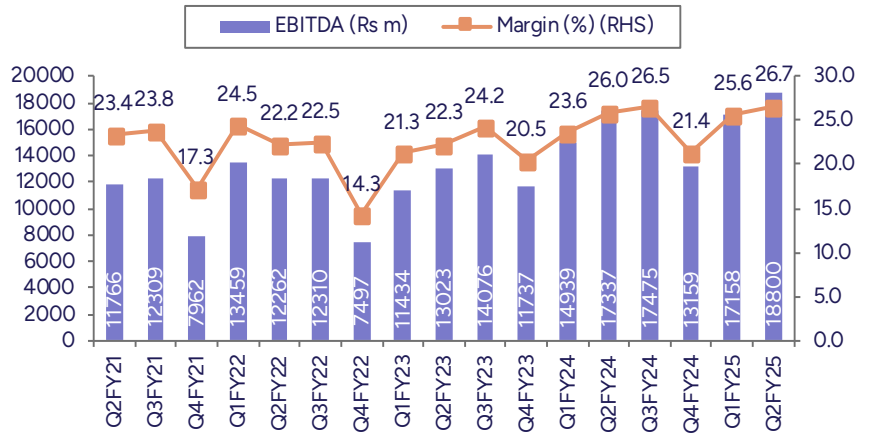
Source: Company, PL

Exhibit 6: Growth backed by overall export formulation biz YoY



Source: Company, PL

Exhibit 7: Higher GMs aided margins YoY



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	2,57,749	2,70,099	2,97,488	3,14,101
YoY gr. (%)	13.3	4.8	10.1	5.6
Cost of Goods Sold	98,533	1,02,159	1,14,823	1,25,062
Gross Profit	1,59,216	1,67,940	1,82,664	1,89,038
Margin (%)	61.8	62.2	61.4	60.2
Employee Cost	38,752	43,190	48,124	52,527
Other Expenses	57,545	58,136	61,527	65,358
EBITDA	62,919	66,614	73,014	71,154
YoY gr. (%)	25.2	5.9	9.6	(2.5)
Margin (%)	24.4	24.7	24.5	22.7
Depreciation and Amortization	10,510	10,773	11,527	12,334
EBIT	52,409	55,841	61,487	58,820
Margin (%)	20.3	20.7	20.7	18.7
Net Interest	899	700	600	500
Other Income	7,466	8,000	9,000	10,500
Profit Before Tax	58,975	63,141	69,887	68,820
Margin (%)	22.9	23.4	23.5	21.9
Total Tax	15,466	17,048	18,869	18,581
Effective tax rate (%)	26.2	27.0	27.0	27.0
Profit after tax	43,510	46,093	51,017	50,238
Minority interest	-	-	-	-
Share Profit from Associate	(338)	(150)	(300)	(300)
Adjusted PAT	41,224	45,943	50,717	49,938
YoY gr. (%)	47.1	11.4	10.4	(1.5)
Margin (%)	16.0	17.0	17.0	15.9
Extra Ord. Income / (Exp)	1,948	-	-	-
Reported PAT	43,172	45,943	50,717	49,938
YoY gr. (%)	44.7	6.4	10.4	(1.5)
Margin (%)	16.7	17.0	17.0	15.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	43,172	45,943	50,717	49,938
Equity Shares O/s (m)	807	807	807	807
EPS (Rs)	51.1	56.9	62.8	61.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	1,59,099	1,74,099	1,89,099	2,04,099
Tangibles	1,08,114	1,18,307	1,28,501	1,38,694
Intangibles	50,985	55,792	60,599	65,406
Acc: Dep / Amortization	95,284	1,06,057	1,17,584	1,29,918
Tangibles	54,762	60,954	67,579	74,667
Intangibles	40,521	45,103	50,005	55,250
Net fixed assets	63,816	68,043	71,516	74,182
Tangibles	53,352	57,354	60,922	64,026
Intangibles	10,464	10,689	10,594	10,155
Capital Work In Progress	11,527	11,527	11,527	11,527
Goodwill	31,120	31,120	31,120	31,120
Non-Current Investments	55,628	55,628	55,628	55,628
Net Deferred tax assets	4,025	4,005	3,985	3,965
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	52,380	56,980	62,758	66,262
Trade receivables	47,707	50,320	55,422	58,517
Cash & Bank Balance	8,750	32,325	56,806	84,468
Other Current Assets	50,201	52,711	55,346	58,113
Total Assets	3,21,300	3,58,826	4,00,296	4,39,991
Equity				
Equity Share Capital	1,615	1,615	1,615	1,615
Other Equity	2,65,450	3,01,720	3,41,796	3,80,030
Total Networkth	2,67,064	3,03,334	3,43,411	3,81,645
Non-Current Liabilities				
Long Term borrowings	2,254	2,254	2,254	2,254
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	3,340	1,840	340	0
Trade payables	24,740	27,380	30,156	31,840
Other current liabilities	26,968	27,064	27,160	27,258
Total Equity & Liabilities	3,21,300	3,58,826	4,00,296	4,39,991

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	58,975	63,141	69,887	68,820
Add. Depreciation	10,510	10,773	11,527	12,334
Add. Interest	899	700	600	500
Less Financial Other Income	7,466	8,000	9,000	10,500
Add. Other	(5,001)	(150)	(300)	(300)
Op. profit before WC changes	65,384	74,464	81,714	81,354
Net Changes-WC	(8,061)	(6,988)	(10,643)	(7,585)
Direct tax	(15,975)	(17,048)	(18,869)	(18,581)
Net cash from Op. activities	41,348	50,428	52,201	55,187
Capital expenditures	(16,160)	(15,000)	(15,000)	(15,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Inv. activities	(16,160)	(15,000)	(15,000)	(15,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(3,005)	(1,500)	(1,500)	(340)
Dividend paid	(6,862)	(9,673)	(10,641)	(11,705)
Interest paid	(899)	(700)	(600)	(500)
Others	(21,319)	20	20	20
Net cash from Fin. activities	(32,084)	(11,853)	(12,721)	(12,525)
Net change in cash	(6,897)	23,575	24,481	27,662
Free Cash Flow	28,196	35,428	37,201	40,187

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	66,038	61,632	66,939	70,510
YoY gr. (%)	13.7	7.4	5.8	5.6
Raw Material Expenses	22,195	20,501	21,929	22,886
Gross Profit	43,843	41,131	45,011	47,624
Margin (%)	66.4	66.7	67.2	67.5
EBITDA	17,475	13,159	17,158	18,800
YoY gr. (%)	24.2	12.1	14.9	8.4
Margin (%)	26.5	21.4	25.6	26.7
Depreciation / Depletion	2,334	2,883	2,467	2,717
EBIT	15,141	10,275	14,691	16,082
Margin (%)	22.9	16.7	21.9	22.8
Net Interest	301	176	180	154
Other Income	1,846	2,493	1,602	1,906
Profit before Tax	16,686	12,592	16,114	17,835
Margin (%)	25.3	20.4	24.1	25.3
Total Tax	4,053	3,249	4,351	4,830
Effective tax rate (%)	24.3	25.8	27.0	27.1
Profit after Tax	12,633	9,344	11,763	13,004
Minority interest	126	(46)	(14)	(25)
Share Profit from Associates	-	-	-	-
Adjusted PAT	10,559	9,390	11,776	13,029
YoY gr. (%)	31.8	78.6	18.3	15.2
Margin (%)	16.0	15.2	17.6	18.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	10,559	9,390	11,776	13,029
YoY gr. (%)	31.8	78.6	18.3	15.2
Margin (%)	16.0	15.2	17.6	18.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	10,559	9,390	11,776	13,029
Avg. Shares O/s (m)	804	804	804	804
EPS (Rs)	15.6	11.7	14.6	16.2

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	51.1	56.9	62.8	61.9
CEPS	64.1	70.2	77.1	77.1
BVPS	330.8	375.7	425.4	472.7
FCF	34.9	43.9	46.1	49.8
DPS	9.3	10.2	11.3	12.4
Return Ratio(%)				
RoCE	20.4	19.3	18.8	16.1
ROIC	16.8	17.1	17.9	16.5
RoE	16.5	16.1	15.7	13.8
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.1)	(0.2)	(0.2)
Net Working Capital (Days)	107	108	108	108
Valuation(x)				
PER	28.9	26.0	23.5	23.9
P/B	4.5	3.9	3.5	3.1
P/CEPS	23.1	21.0	19.2	19.2
EV/EBITDA	18.9	17.5	15.6	15.6
EV/Sales	4.6	4.3	3.8	3.5
Dividend Yield (%)	0.6	0.7	0.8	0.8

Source: Company Data, PL Research

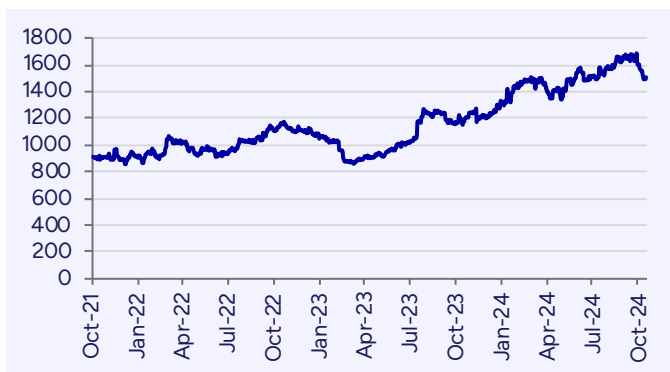
Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
India Formulations	1,08,650	1,15,305	1,29,279	1,43,381
Exports	1,40,104	1,45,784	1,58,634	1,60,643
APIs	5,810	5,810	6,275	6,777

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	Accumulate	1,680	1,623
2	28-Jul-24	Accumulate	1,680	1,575
3	08-Jul-24	Accumulate	1,405	1,510
4	11-May-24	Accumulate	1,405	1,340
5	08-Apr-24	Accumulate	1,400	1,449
6	26-Jan-24	Accumulate	1,400	1,375
7	08-Jan-24	BUY	1,350	1,287

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	7,150	6,774
2	Aster DM Healthcare	BUY	500	443
3	Aurobindo Pharma	Accumulate	1,525	1,466
4	Cipla	Accumulate	1,680	1,623
5	Divi's Laboratories	Accumulate	5,000	5,426
6	Dr. Reddy's Laboratories	Reduce	6,000	6,633
7	Eris Lifesciences	BUY	1,420	1,292
8	Fortis Healthcare	BUY	515	581
9	HealthCare Global Enterprises	BUY	420	430
10	Indoco Remedies	Accumulate	320	315
11	Ipca Laboratories	Reduce	1,250	1,491
12	J.B. Chemicals & Pharmaceuticals	BUY	2,100	1,715
13	Jupiter Life Line Hospitals	BUY	1,475	1,432
14	Krishna Institute of Medical Sciences	BUY	480	550
15	Lupin	BUY	2,300	2,198
16	Max Healthcare Institute	BUY	975	926
17	Narayana Hrudayalaya	BUY	1,420	1,219
18	Sun Pharmaceutical Industries	BUY	2,100	1,903
19	Sunteck Realty	BUY	700	588
20	Torrent Pharmaceuticals	Accumulate	3,600	3,433
21	Zydus Lifesciences	Accumulate	1,305	1,057

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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