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Initiating Coverage

Cipla Ltd.

23-November-2020

RETAIL RESEARCH

Cipla Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Pharmaceuticals	Rs 740	Buy in the band of Rs 712-720 and add more on dips to Rs 660-668	Rs 804	Rs 856	2 quarters

HDFC Scrip Code	CIPLTDEQNR
BSE Code	500087
NSE Code	CIPLA
Bloomberg Code	CIPLA: IN
CMP Nov 20, 2020	740
Equity Capital (Rs cr)	161.25
Face Value (Rs)	2
Equity Share O/S (cr)	80.51
Market Cap (Rs cr)	59670
Book Value (Rs)	195.5
Avg. 52 Wk Volumes	7053013
52 Week High	829
52 Week Low	357

Share holding Pattern % (Sep, 2020)	
Promoters	36.7
Institutions	41.1
Non Institutions	22.2
Total	100.0

Fundamental Research Analyst
Kushal Rughani
kushal.rughani@hdfcsec.com

Our Take

Globally, Cipla is the second largest inhaler (MDI + DPI- metered dose and dry powder) selling company by volume and four of its respiratory brands are listed among the Top-50 medicine brands in India. Company is ranked no.1 in therapeutic areas such as respiratory and urology in domestic market. Company has 8 brands amongst top-100 brands in IPM while 22 brands feature in top-300 brands. Chronic business registered 12% yoy rise in FY20 and formed ~55% of domestic formulations business in FY20. The management's concentrated efforts to generate synergies by merging all the three businesses in India under one umbrella is expected to yield significant benefits. Sustained traction in chronic business and market leadership position in therapies such as respiratory, inhalation and urology segments bodes well. Along with this, likely recovery in the acute therapy and improvement in the hospital business would drive India business.

Expected traction in new launches in the US and a healthy pipeline would drive the revenues for the US business. South Africa business is also expected to sustain strong double-digit growth momentum. In addition, Cipla is expected to benefit from COVID-related opportunities in India as well as in emerging markets. The COVID-19 drug constituted 5% of the company's overall sales, of which a large part should be sustained. According to the IQVIA report (Mar 2020), US FDA approval for gAlbuterol has strengthened Cipla's respiratory franchise in the US market, which provides ample growth visibility. Also the filing of Advair with the US FDA will further add to its respiratory portfolio. Also, the management is working closely with the US FDA to resolve issues at its Goa plant (WL indicated by the US FDA) and has submitted its response to the regulator. The cost optimization measures are expected to sustain going ahead leading to an improvement in the margin trajectory. Improved cash generation enabled the company to prepay debt of Rs 1,939cr in FY20.

View & Valuation

Cipla is one of the few companies least likely to see revenue pressure as a) Domestic business including trade generics and initial evidence of consumer business point to a healthy growth trajectory; b) limited competition US launches; c) South Africa branded business remain on firm footing. While domestic acute portfolio could be under pressure in this season, Emerging Market business is expected to post steady growth. Proventil's initial trajectory shows that it could add significant revenues for FY21/22 at above-average company margins. Going forward, India and South Africa which comprises of ~55% of overall revenues will continue to be the cash cow for the company, generating consistent free cash flows. Apart from this, it has constantly been in the investment phase in developed markets mainly in US and has a strong range of inhaler products in the pipeline. Strong momentum in the US respiratory portfolio along with consistent focus on

FCF generation and debt reduction are likely to drive future earnings growth. We expect Cipla's topline and PAT to see CAGR of 12% and 30%, respectively, over FY20-23E. US business is expected to grow at 10% CAGR led by steady base business and new limited competition launches while domestic formulations may grow at 14% CAGR over FY20-23E.

In the US, a strong set of product launches would fuel the growth. Management reaffirmed its guidance of launching 1 respiratory product every year in the US. As most respiratory inhaler products are going to be limited competition, it will lead to sustainable margin expansion in the US. Overall, we see domestic formulations business leading growth, while the South African business too is expected to clock healthy growth. The company has reported strong set of results for H1FY21 with margins expanding phenomenally attributable to cost optimisation measures. Consequently, this is likely to improve the margin trajectory going ahead. Currently, the stock trades at 24x/18x its FY21/FY23E earnings. Company is working closely with US FDA to resolve issues at its Goa plant, any positive outcome would re-rate the stock. Healthy topline growth, strong earnings visibility and a healthy balance sheet augurs well for the stock. We feel investors can buy Cipla on dips to Rs 712-720 (20.5x FY22E EPS) band and add more on dips to Rs 660-668 band (19.0x FY22E EPS) for base case target of Rs 804 (based upon 23.0x FY22E earnings) and bull case target of Rs 856 (based upon 24.5x FY22E earnings).

Financial Summary

Particulars (Rs cr)	Q2 FY21	Q2 FY20	YoY (%)	Q1 FY21	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Total Revenues	5038	4396	14.6	4346	15.9	16,362	17,132	19,477	21,795	23,800
EBITDA	1177	910	29.3	1049	12.2	3097	3206	4421	4766	5388
Depreciation	265	283	-6.4	269	-1.5	1326	1175	1097	1160	1175
Other Income	53.5	100.5	-46.8	65.5	-18.3	477	344	293	307	323
Interest Cost	39	46	-14.6	46	-14.6	168	197	160	121	81
Tax	263.8	201	31.2	228	15.7	570	631	985	986	1158
APAT	665	471	41.2	578	15.1	1493	1499	2483	2818	3308
EPS (Rs)						18.5	18.6	30.8	35.0	41.0
RoE (%)						10.0	9.5	13.8	13.7	14.1
P/E (x)						40.2	40	24.2	21.3	18.1
EV/EBITDA (x)						20.7	19.4	13.7	12.2	10.3

(Source: Company, HDFC sec)

Q2 FY21 result update

Revenue grew by 14.6% yoy to Rs. 5,038cr led by strong 17% yoy increase in the Indian business, while US revenue grew 10% yoy. Among other geographies, South Africa, Sub Saharan and the Global Access (SAGA) revenue grew by 25% for the quarter. Cipla outperformed the market growth in the Indian and South Africa markets. Gross Margin declined by 539bps yoy (-200 bps qoq) to 61.4% owing to the contribution from gSensipar in the base quarter with the sequential decline resulting from change in the product mix including higher contribution from the Covid portfolio. OPM for the quarter improved 270bps yoy to 23.4%. Margin expansion was due to cost-control measures being implemented, which more than fully offset the impact of 490bps decline in gross margin (due to unfavourable mix). Operating profit for the quarter stood at Rs 1,177cr, up 29.4% yoy. Adjusted PAT registered strong 41% yoy increase to Rs 665cr.

Other Highlights

Company continues to remain bullish on the outlook for its business driven by launches in the limited competition segments. There has been a delay in some of its key expected approvals. Despite the delay, the value of these opportunities remains intact for now.

On the regulatory front, Goa formulation facility has been classified as OAI. The management continues to work with the FDA to resolve the issues and remediation costs stood at Rs 40cr as company fast tracked the remediation work.

Management said that the company has an adequate capacity for Albuterol and have cautiously kept higher inventory given the complexity of the product.

Company has upped its earlier guidance of cost savings of Rs 500cr in FY21 to be driven by (1) leveraging digital technology in India branded formulations, (2) calibration of R&D – focused products in inhalation.

Cipla has made definitive progress on its inhalation platform in the US market which significantly enhances comfort of its ability to generate meaningful value over the medium-long term in this niche segment. Management stated that Cipla has accelerated the albuterol supply in US market for the quarter and has captured > 65% share of Proventil market after launch as per IQVIA.

While currently bulk of Cipla's Rx are from Proventil, the management continues to believe that a large share of Albuterol Rx are written as generic therefore it will be able to tap into this broader market beyond gProair. The same needs to be monitored. Management also

believes that inhalers are difficult to scale-up product and Cipla's significant experience with the same remains a key competitive advantage. Further, along with likely entrant Lupin, Cipla is the only other player from India and is extremely cost competitive which will be a strategic advantage.

During Q1FY20, Cipla launched gAlbuterol; the only approved generic for Proventil. It was much ahead of the guided timelines as there was sharp increased demand and shortages in US post the COVID spread. This also coupled with an increased demand in Albuterol MDI products.

South Africa & Global Access (SAGA) - TLD monetization has already started in SA. Cipla guided for double digit growth in FY21 for the private market as the regulatory agencies are expediting approvals and clearing backlogs. TLD is an anti-viral medicine and South Africa is one of the biggest markets for HIV.

Cipla has sub-licensed its NCE in CNS assets to a partner for further development and is actively exploring partnerships for the other CNS assets. It will now only limit itself to building a hospital focused specialty portfolio. Currently, there are 2 products in this segment – Pulmazole and Tramadol IV.

R&D spend for the quarter stood at Rs 220cr (4.5% of sales). Cipla expects R&D to be in the range of 6-7% of sales going ahead.

Domestic formulations on a strong footing

Cipla's domestic formulations business accounted for around 39% of revenue. Company reported 5% yoy rise in revenues for FY20. The prescription business grew 9% yoy lead by strong traction in the chronic therapies, which offset the weakness in the acute therapy. This business primarily comprises prescription, trade generics and consumer health. Company is ranked no.1 in therapeutic areas such as respiratory and urology in domestic market. Company has 8 brands amongst top-100 brands in IPM while 22 brands feature in top-300 brands. Chronic business registered 12% yoy rise in FY20 and formed ~55% of domestic formulations business in FY20. The management's concentrated efforts to generate synergies by merging all the three businesses in India under one umbrella is expected to yield significant benefits. Over the recent past, the management has successfully merged three segments (trade + prescription + OTC) in the domestic business, to leverage the existing product portfolio and distribution reach. With the restructuring of the domestic business largely done, the management is looking at a strong growth momentum from the domestic formulations piece by leveraging healthy growth in the

prescription and generics space. Also, the COVID related products, especially in the hygiene space too have received a good response and are likely to sustain the strong growth momentum.

Cipla had acquired four umbrella brands in the nutraceutical segment, which would further strengthen presence in the women's health category and would add to the growth. Overall the management is confident of sustaining a double digit growth for the India operations going ahead.

Accelerating growth in the US piece

Over the last five years, Cipla has significantly expanded its portfolio and presence in the US. This has been a result of a well-designed strategy to balance capital allocation across organic and inorganic initiatives. US market contributed 22.6% of total revenues, which grew 12% in US$ terms in FY20, driven by a sales ramp-up in new launches and contribution from the phased and IP enabled launch of generic product gSensipar (Cinacalcet). Cipla's Goa formulation plant, the largest facility manufacturing oral, injectables and inhaler products, had received a warning letter from the US FDA in Feb-2020. However, we believe no near-term critical filings are due from this facility, and albuterol and gAdvair are filed from the Indore formulation facility. Cipla has already responded to the US FDA queries on the Goa plant. Other Para-IV filings include Cerdelga (Gaucher disease), Trintellix (CNS) and Synjardy (anti-diabetic) which are expected to get launched by FY22. Going forward, we expect US revenues to grow at 10% CAGR over FY20-23E which would be mainly driven by expansion of direct-to-market (DTM) presence and higher contribution from limited competition launches.

Cipla guided around 18 months in gAdvair launch. Focus will be more institutional based products in the US specialty. It is also exploring out-licensing opportunities for CNS assets. Cipla has been working on six inhalation products, with launches planned between FY21-25. Of the six, Albuterol (launched), ProAir (approved in 4Q, working on queries), Advair and Spiriva (filed), Symbicort (in clinics). Tramadol IV has received CRL and company is evaluating its options.

Respiratory franchise in the US

Across the world, Cipla is the 2nd highest seller of respiratory products after GSK and management indicates that large portion of the capital allocation would go to the respiratory portfolio in the future. Cipla is investing significant resources with a vision to expanding its respiratory franchise in the US market and gain a significant market presence. Currently, the company is working towards developing respiratory products under various categories especially focused on the US market. Cipla received approval for albuterol and made one

complex inhalation asset filing (Para-IV) in Q4 FY20. It also filed generic Advair in May 2020 and announced phase-III clinical trials ongoing in a partnered inhalation product.

Cipla received Albuterol MDI (Proventil) in Q4FY20 which is the first inhalation product approval for the company in the US. There are three brands of Albuterol, namely Proventil, Proair and Ventolin, which together combined account for 72m devices as on Mar 2020. Management highlighted that 50% of the prescriptions are written on generic name albuterol, so the albuterol device market is interchangeable among brands, given the product shortages in the US market.

Cipla announced the filing of generic Advair in May 2020 with the USFDA. Brand sales of generic Advair is about US$ 1.8bn and Mylan is the only generic player in the US market, along with the authorised generic Prasco Laboratories and Cipla would be able to launch the product as a third generic player, as Hikma Pharmaceuticals approval for the product is expected by the company by CY21.

Management guided for one limited competition product launch in each quarter along with other normal launches in the US. Cipla is also building its specialty pipeline by out-licensing New Chemical Entity (NCE) Central Nervous System (CNS) asset to a partner for further development and actively exploring partnership for its CNS assets. We believe albuterol and gAdvair launches along with steady base business would support revenue growth in the medium term.

Regulatory Inspection update

Cipla's Goa plant was inspected in Sep, 2019 and eventually the US FDA classified the plant as OAI status in Jan-2020. The company is working closely with the agency and has submitted its responses and is awaiting a reply from the regulator. Goa facility is the key for the US market that attributed 25-30% of its US sales in FY19 and accounted for significant to its pending ANDAs.

Cipla received setback because of CRL issued (Complete Response Letter) against NDA application for its specialty product IV Tramadol. We believe CRL would delay approval for at least 3-6 months and final launch may perhaps be in H2FY22E. Tramadol is a strong painkiller. It is used to treat moderate to severe pain after an operation or a serious injury and also to treat long-standing pain when weaker painkillers no longer work.

Acquisition and Partnerships

In FY20, Cipla formed an 80:20 joint-venture agreement with Jiangsu Acebright Pharmaceutical Co Ltd, China, with Cipla as the majority shareholder. The partnership aims to enhance business of manufacturing, selling and distribution of pharmaceutical products, as well as research and analytical development services in China.

Mirren acquisition has played a crucial role in Cipla's endeavor to increase the accessibility and affordability of medicines. Mirren commands a strong position in the South African market as a local manufacturer and has gained significant advantage due to Covid-19 pandemic and related supply challenges. This has helped ensure the availability and supply of key pain, cold and flu medicines throughout the pandemic and winter season in South Africa.

During the year, Cipla acquired four key brands - CPink, CDense, Productiv and Folinine from Wanbury to further strengthen presence in women's health segment. These nutraceutical products address health needs for conditions arising due to nutritional deficiencies or insufficiencies, and include supplements such as multivitamins, multi-minerals and antioxidants for adolescent girls, pregnant and lactating women, women going through menopause, and male and female reproductive health.

SAGA business outlook

Cipla is the third-largest private market company, with a market share of 6.9% in South Africa as on Mar-2020. Its private business growth rate outperforms the pharma industry. The company is also one of the largest OTC players in the addressable market with market share of 7.1% and third-largest anti-retroviral (ARV) player in the private market with a market share of 15% as on FY20. The top three therapies with market share values are CNS (10%), respiratory (13%) and metabolic (5%) as of FY20. Cipla continues to differentiate itself in South Africa with its strong respiratory franchise.

Cipla has a strong presence in both private and tender markets in the country. The private business contributed 68% in FY20, while the remaining 32% was contributed by the tender business. South Africa business grew 8% in local currency terms led by strong growth in private market (+12% yoy) while tender business grew by 3.2%. The SAGA (South Africa, Sub Saharan Africa, Global Access) region contributed 18% to company's overall revenues in FY20. During the year, the company continued its strong private market franchisee in South Africa and strengthened its market leadership in the OTC space as the tender business normalized across the region.

Cipla expanded its OTC portfolio offering in South Africa with the acquisition of Mirren. During FY19, Cipla Medpro South Africa Limited (Unlisted), a subsidiary of Cipla, acquired 100% stake for around Rs 230cr in Mirren Pvt Limited. Mirren is a South African OTC pharmaceutical manufacturer and distributor, which has been in operation for 35 years. This transaction strengthened Cipla's OTC portfolio in South Africa. As part of the acquisition, the company gained access to four key OTC brands, namely Coryx and Broncol in the Cough & Cold segment, Tensopyn in Pain management, and Ultimag, a unique Mg & Zinc Supplement.

Cipla launched Filgrastim in FY19, its first biosimilar drug launched in South Africa in partnership with Teva and a triple combination antiretroviral drug (Tenofovir/Lamivudine/Dolutegravir) in South Africa. This will help the company expand its portfolio of life-saving medicines in the private market in South Africa. Cipla's focus remains to expand its portfolio in prioritized DTM markets of Kenya, Tanzania and Uganda, exploit synergies with the South African business and drive profitable growth.
Cipla's commitment to patients in South Africa continues with its strong partnership with the local government. The company continues to offer a portfolio of life-saving medication for fighting AIDS through government tenders. Cipla's local manufacturing capabilities provide a sustainable advantage compared to other competitors. The manufacturing facility in Durban is aimed at 'make in Africa, for Africa' products in a bid to make South Africa self-sufficient in ARV production. We expect 5% revenue CAGR in from the SAGA led by private business over FY20-23E, on back of traction in new launches in private business and sustained dominance in the OTC space.

Emerging Markets (EM)

Emerging markets region for Cipla comprises all markets outside of India, North America, South Africa/ sub-Saharan Africa and Europe but includes North Africa and Australia/New Zealand. Cipla is present in 51 countries in this region, including direct to market operations in 11 countries. Emerging markets contributed US$ 206mn of revenues in FY20, declining ~17% on yoy basis. The decline was largely due to geopolitical challenges in middle-eastern markets and currency devaluations across EM. In H1FY21, the segment revenues grew 20% in dollar terms to US$ 124mn led by low base effect and Covid related products. Cipla has established respiratory as a key growth driver for emerging markets. Company continues to be a respiratory leader in Sri Lanka, Nepal, and Morocco. Focus on leveraging its respiratory and oncology portfolio in Brazil and China shall aid growth in EM. Launch of biosimilars in the next 2 years would also fuel growth momentum.

Europe business to see 14% CAGR over FY20-23E

Cipla's Europe business continued to demonstrate sustainable growth, despite the challenges of Brexit and a slowing economic outlook, with robust 14% growth and registered revenues of US$ 114mn. Company will continue to invest and drive growth in the Direct to Market

(DTM) markets and acceleration of the portfolio in the European region. Respiratory, as a therapy, will continue to lead the growth, followed by oncology, complex injectables and anti-retrovirals.

Cipla's flagship product Salmeterol (FPSM), pMDI continued to gain momentum across markets, ending the calendar year 2019 with ~20% share of the overall FPSM pMDI market in Europe. Respiratory therapy overall contributed to 68% of Cipla's Europe business, with FPSM pMDI making up ~21% of the business.

In the UK, Cipla re-launched Soltel (salmeterol pMDI), along with Seroflo (FPSM pMDI) and Kelhale. These three brands have made up 40% of the UK DTM business in a span of two years. Similarly, the respiratory franchise makes up 70% of German DTM business.

API Business outlook

Cipla's APIs are supplied to 63 countries across the globe, helping local pharmaceutical companies reach out to their patients. Due to its focus on niche molecules and quality, the company continues to be a preferred partner to many large generic pharmaceutical companies globally. Cipla's API business covers broad spectrum of therapies, with over 1000+ Drug Master Files (DMFs) filed till date. Cipla filed 50+ DMF filings in FY20 in various countries. The company has a strong pipeline of over 50 APIs across regulated markets, in various stages of development.

Revenues for the API business stood at US$ 106mn of which 44% was contributed by Europe, followed by 27% from emerging markets and 26% from North America. The key therapy segments that contributed to these were antiretroviral (27%), respiratory (23%), gastrointestinal (14%) and central nervous system (CNS) at 9% while oncology at 5% and the balance from others. Cipla has four cGMP compliant sites, approved by major international regulatory agencies including the US FDA, EDQM (Europe), PMDA (Japan) WHO, TGA (Australia), and KFDA (Korea). These sites include dedicated facilities for oncology, hormones and corticosteroid APIs. Cipla derived 44% of API revenues from EU, 26% from North America and 27% from EM.

Key Concerns

- Adverse pricing regulations by the National Pharmaceutical Pricing Authority (NPPA) in India on prices of key products could reduce revenue and squeeze margins.
- Vulnerability in business due to currency movements, regulatory changes and geopolitical events across the countries where Cipla is present.
- Any escalation of regulatory issues on the Goa formulation facility or delay in its resolution would weigh on earnings.
- Elevated price erosion in the US generic business could hurt the performance though pricing pressure has moderated and is currently in low single digit.
- Delay in product approvals in the US and EU may impact earnings growth.
- Obstacles/hurdles/delays in monetizing niche opportunities.
- Delayed recovery in other therapies because of COVID-19 pandemic.
- Given the R&D spending curbs, Cipla is likely to develop additional products under partnership models.

Company Background

Established in 1935, Cipla is a global pharmaceutical company focused on responsible and sustainable growth of complex generics and deepening portfolio in home markets of India, South Africa and North America, as well as key regulated and emerging markets. Strengths in the respiratory, anti-retroviral, urology, cardiology, anti-infective and CNS as well as other key therapeutic segments are well-known. Cipla is ranked third largest in pharma in India (IQVIA MAT Mar'20), 3rd largest in the pharma private market in South Africa (IQVIA MAT Mar'20), and is among the most dispensed generic players in the US.

The company has a diversified product portfolio spread across various segments like anti-infective, cardiac, gynaecology and gastrointestinal, with considerable market share in niche segments like anti retro viral (HIV/AIDS) and respiratory in countries like South Africa and India respectively. The company commenced exporting products in 1964 and currently, has presence in more than 80 markets across the globe. Cipla has 46 manufacturing facilities for API and formulations in various countries. In India they have facilities across the states of Maharashtra, Goa, Madhya Pradesh, Karnataka, Himachal Pradesh and Sikkim. The major markets that Cipla serves are India, South Africa, USA, Uganda, Middle East, Europe, Sri Lanka and Australia. The company's manufacturing facilities have approvals from all the major regulators including India's Central Drugs Standard Control Organisation, US FDA, UK MHRA, World Health Organisation (WHO), South Africa's Medicines Control Council (MCC) and Brazil's National Health Surveillance Agency (ANVISA).

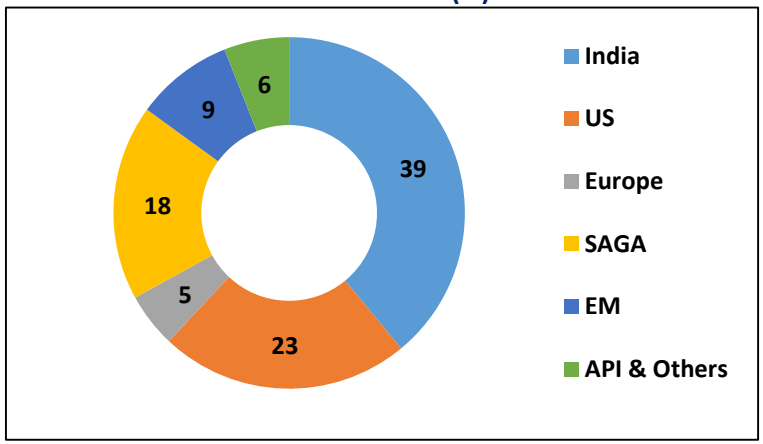
Peer Comparison

Company	CMP	Mcap (Rs cr)	Revenues* (Rs cr)	Operating Profit* (Rs cr)	PAT* (Rs cr)	RoE* (%)	RoCE* (%)	P/E* (x)	EV/ EBITDA*	P/B* (x)
Cipla	742	59830	21795	4766	2818	13.7	12.7	21.0	12.2	2.9
Sun Pharma	508	121740	38497	9153	5836	11.0	12.0	20.8	12.2	2.3
Dr. Reddy's Labs	4720	78482	22663	5890	3534	17.0	16.6	22.5	13.5	3.7
Torrent Pharma	2632	44541	9211	2683	1426	21.8	18.0	30.5	16.2	6.7

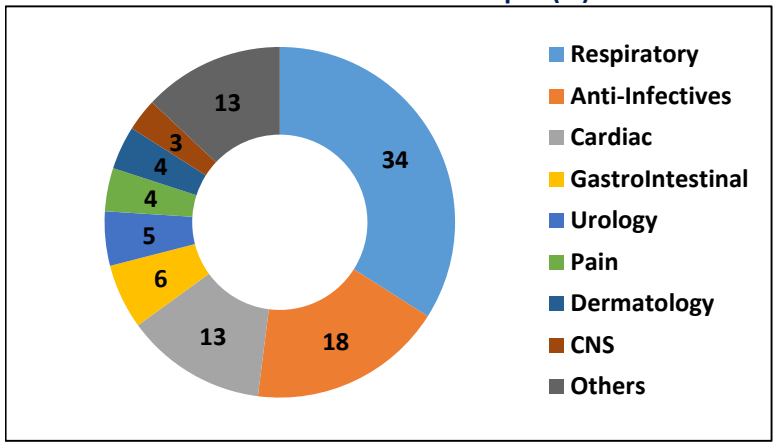
Source: Company, HDFC sec Research *FY22E Consolidated

Cipla Ltd.

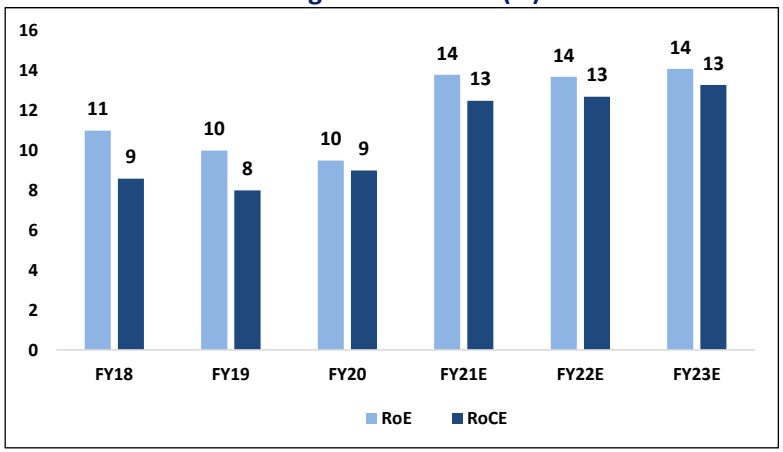
Revenues Mix (%)



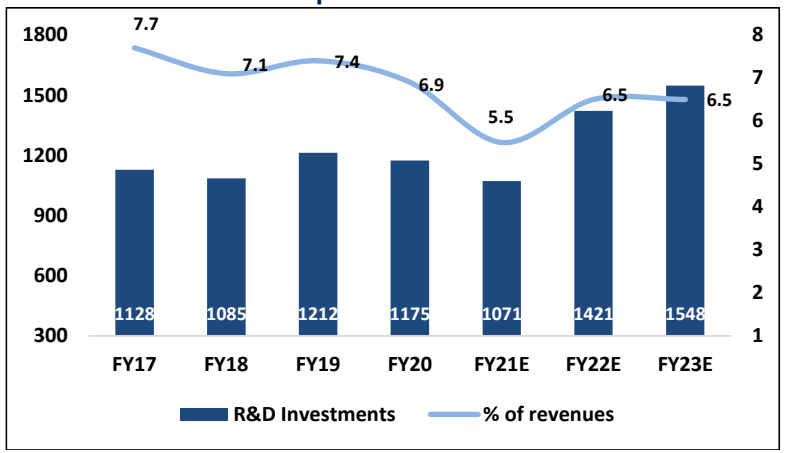
Domestic Formulations Split (%)



Strong Return Ratios (%)



R&D expenses and its trend



Source: Company, HDFC sec Research

RETAIL RESEARCH

Cipla Ltd.

Financials (Consolidated)

Income Statement

(Rs Cr)	FY19	FY20	FY21E	FY22E	FY23E
Total Revenues	**16,362**	**17,132**	**19,477**	**21,795**	**23,800**
Growth (%)	7.5	4.7	13.7	11.9	9.2
Operating Expenses	13265	13926	15056	17029	18412
EBITDA	**3,097**	**3,206**	**4,421**	**4,766**	**5,388**
Growth (%)	9.6	3.5	37.9	7.8	13.1
EBITDA Margin (%)	**18.9**	**18.7**	**22.7**	**21.9**	**22.6**
Depreciation	1326	1175	1097	1160	1175
EBIT	1771	2031	3324	3606	4213
Other Income	477	344	293	307	323
Interest expenses	168	197	160	121	81
PBT	2079	2178	3457	3792	4455
Tax	570	631	985	986	1158
APAT	**1492.5**	**1499**	**2483**	**2818**	**3308**
Growth (%)	5.8	0.4	65.6	13.5	17.4
EPS	**18.5**	**18.6**	**30.8**	**35**	**41**

Balance Sheet

Year to March	FY19	FY20	FY21E	FY22E	FY23E
Equity capital	161.1	161.3	161.3	161.3	161.3
Total reserves	14851	15602	17800	20331	23353
Total shareholders' funds	**15012**	**15763**	**17961**	**20493**	**23514**
Minority Interest	332	294	294	294	294
Total debt	4316	2816	2105	1605	1105
Total Liabilities	**19660**	**18874**	**20360**	**22392**	**24914**
Net fixed assets	5114	4805	4308	3748	3373
Capital work-in-progress	331	421	421	421	421
Investments	2616	1595	1595	1595	1595
Inventories	3965	4378	4977	5569	6082
Debtors	4151	3891	3735	4777	5217
Cash & bank balances	619	1004	2553	3672	5723
Loans and Advances	992	1091	1202	1327	1467
Other current assets	1062	889	889	889	889
Total current assets	10789	11253	13356	16234	19378
Total current liabilities & provisions	**3407**	**4079**	**4199**	**4485**	**4732**
Net current assets	7382	7174	9157	11749	14646
Total net assets	**19660**	**18874**	**20360**	**22392**	**24914**

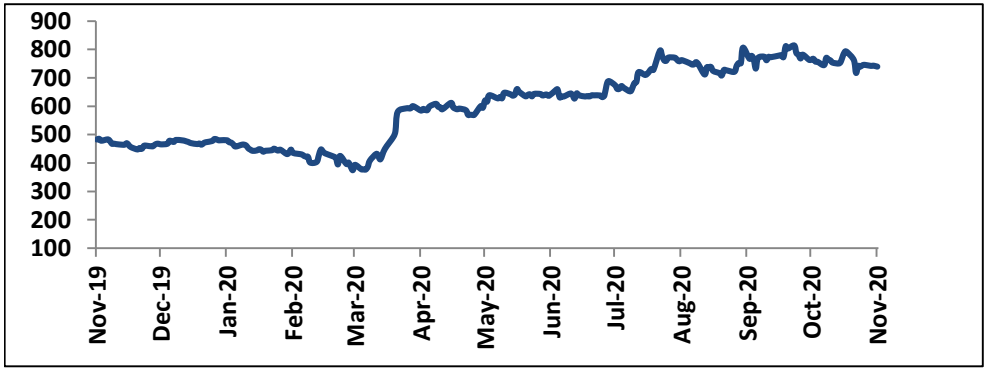
Source: Company, HDFC sec Research

Cipla Ltd.

Cash Flow Statement

(Rs Cr)	FY19	FY20	FY21E	FY22E	FY23E
EBIT	1771	2031	3324	3606	4213
Depreciation	1326	1175	1097	1160	1175
Change in working capital	-962	594	-435	-1473	-845
Operating cash flow	**1808**	**3929**	**3986**	**3293**	**4543**
Interest	-168	-197	-160	-121	-81
Non-Operating Income	477	344	293	307	323
Taxes Paid	-570	-631	-985	-986	-1158
Free Cash Flow	**1546**	**3442**	**3134**	**2494**	**3626**
Shares Issued	0	0	0	0	0
Capex	87	-413	-600	-600	-600
Investments	-1356	1021	0	0	0
Dividend Paid	-284	-664	-285	-285	-285
Other Items	362	362	-72	-72	-72
Net Debt Change	**218**	**-1499**	**-712**	**-500**	**-500**
Closing Cash	508	742	2553	3672	5723

One Year Price Chart



Key Ratios

	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	18.9	18.7	22.7	21.9	22.6
EBIT Margin	10.8	11.9	17.1	16.5	17.7
APAT Margin	9.1	8.8	12.7	12.9	13.9
RoE	10	9.5	13.8	13.7	14.1
RoCE	8.1	8.8	12.5	12.7	13.3
Solvency Ratio					
Net Debt/EBITDA (x)	1.2	0.6	-0.1	-0.4	-0.9
Net D/E	0.2	0.1	0	-0.1	-0.2
PER SHARE DATA					
EPS	18.5	18.6	30.8	35	41
CEPS	35	33.2	44.4	49.4	55.6
BV	186.3	195.5	222.8	254	291.6
Dividend	3	7	3	3	3
Turnover Ratios (days)					
Debtor days	77	77	75	75	75
Inventory days	137	137	135	135	135
Creditors days	160	130	150	150	150
VALUATION					
P/E	40.2	40	24.2	21.3	18.1
P/BV	3.9	3.8	3.3	2.9	2.5
EV/EBITDA	20.7	19.4	13.7	12.2	10.3
EV / Revenues	3.9	3.6	3	2.6	2.3
Dividend Payout	16.2	37.6	9.7	8.6	7.3

Source: Company, HDFC sec Research

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066
Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600
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