

- ❑ The company reported strong revenue growth from operations of 27.9% year-on-year at ₹54,707 million. The company reported revenue growth mainly led by, India business which grew by 68% YoY, North America business grew by 5% YoY, Overall Africa business (SAGA) grew by 13% YoY.
- ❑ On profitability front, the EBITDA from operations for the quarter improved by 34.0% year-on-year to ₹13,122 million with an operating margin of 24.0%. The company reported Profit after Tax of ₹7,150 million, a growth of 23.7% year-on-year with a net margin of 13.1% translating into EPS of ₹8.86 per share for the quarter.
- ❑ The India business grew 68% year-on-year driven by traction in core therapies along with a contribution in the COVID products during the second wave. Adjusting for the core COVID portfolio, the revenue growth was still 47% over quarter one of last year. The prescription business continued the market beating performance during the quarter at 20% YoY, driven by the strong volume growth in core therapies and support from existing and new introductions in the portfolio.
- ❑ Cipla consistently ranked number two with a market share of 8.2% in chronic therapies and grew by 16%. On the therapy side, growth for respiratory is 14% YoY, anti-infective is 10% YoY, anti-diabetic is 11%, derma is 13%, cardiac is 10% and Gastro is 13% .
- ❑ The Generics business delivered a strong growth, the quarter witnessed healthy quarter flow across regions, benefiting from strong demand tailwinds across the core portfolio and other products that were linked with COVID sales.
- ❑ The company has entered the Top 10 generic companies in the US by prescription driven by the respiratory franchise as well as the strong limited competition launches over the last two to three years. The US generic core formulation sales for the quarter were USD141 million with a growth of 5% over a high Q1- FY21 base, which included Albuterol. The API business reported a growth of 69% in US dollar terms and includes a profit share on the commercial supply of an API to a partner.
- ❑ We continue to remain positive on the company due to company's strong product portfolio in branded and unbranded generic franchise, emerging opportunities in consumer wellness franchise, future key launches in US complex generics. We maintain our **BUY** rating on the stock with a target price of **₹1100 per share**.

Financials:

| (In ₹ mn) | Q1-FY22 | Q1-FY21 | Chg | 3M-FY22 | 3M-FY21 | Chg |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net Sales | 55,044 | 43,462 | 26.6% | 55,044 | 43,462 | 26.6% |
| Operating Expense | 41,585 | 32,974 | 26.1% | 41,585 | 32,974 | 26.1% |
| EBITDA | 13,459 | 10,487 | 28.3% | 13,459 | 10,487 | 28.3% |
| Other Income | 649 | 655 | -0.8% | 649 | 655 | -0.8% |
| Depreciation | 2,611 | 2,690 | -2.9% | 2,611 | 2,690 | -2.9% |
| EBIT | 11,497 | 8,452 | 36.0% | 11,497 | 8,452 | 36.0% |
| Interest | 296 | 460 | -35.7% | 296 | 460 | -35.7% |
| PBT | 11,201 | 7,992 | 40.2% | 11,201 | 7,992 | 40.2% |
| Tax | 2,837 | 2,278 | 24.6% | 2,837 | 2,278 | 24.6% |
| Exceptional Items | (1,246) | - | | (1,246) | - | |
| PAT | 7,118 | 5,714 | 24.6% | 7,118 | 5,714 | 24.6% |
| Minority /Other Adj. | 29 | 65 | | 29 | 65 | |
| Consolidated PAT | 7,147 | 5,779 | 23.7% | 7,147 | 5,779 | 23.7% |

| Margins | Q1-FY22 | Q1-FY21 | Chg BPS | 3M-FY22 | 3M-FY21 | Chg BPS |
|--------------------|---------|---------|---------|---------|---------|---------|
| Operating Margin % | 24.5% | 24.1% | 32 | 24.5% | 24.1% | 32 |
| Net Margin % | 12.9% | 13.1% | -22 | 12.9% | 13.1% | -22 |

Consolidated Financials:

| (In ₹ mn) | FY-20 | FY-21 | FY-22E | FY-23E |
|-------------------|---------------|---------------|---------------|---------------|
| Net Sales | 171,320 | 191,596 | 210,755 | 231,831 |
| Operating Expense | 140,259 | 149,755 | 164,730 | 181,203 |
| EBITDA | 31,061 | 41,841 | 46,025 | 50,628 |
| Other Income | 3,694 | 2,698 | 2,967 | 3,264 |
| Depreciation | 11,000 | 10,031 | 10,746 | 11,821 |
| EBIT | 23,755 | 34,508 | 38,247 | 42,071 |
| Interest | 1,974 | 1,607 | 1,635 | 1,667 |
| Misc. items | - | - | - | - |
| PBT | 21,782 | 32,901 | 36,611 | 40,405 |
| Tax | 6,312 | 8,888 | 9,890 | 10,915 |
| Minority Interest | (5) | 36 | - | - |
| PAT | 15,465 | 24,049 | 26,721 | 29,490 |

| Margins | FY-20 | FY-21 | FY-22E | FY-23E |
|--------------------|-------|-------|--------|--------|
| Sales Growth % | 4.7% | 11.8% | 10.0% | 10.0% |
| Operating Margin % | 18.1% | 21.8% | 21.8% | 21.8% |
| Net Margin % | 9.0% | 12.6% | 12.7% | 12.7% |

| (In ₹ mn) | FY-20 | FY-21 | FY-22E | FY-23E |
|-----------------------------|----------------|----------------|----------------|----------------|
| Liabilities | | | | |
| Equity Share Capital | 2,143 | 2,034 | 2,034 | 2,034 |
| Reserves & Surplus | 155,487 | 181,232 | 207,953 | 237,443 |
| Total Shareholder's Funds | 157,630 | 183,265 | 209,987 | 239,477 |
| Minority Interest | 2,943 | 2,591 | 2,591 | 2,591 |
| Long-Term Liabilities | 23,693 | 12,028 | 12,028 | 12,028 |
| Other Long-term Liabilities | 4,777 | 4,754 | 4,754 | 4,754 |
| Deferred Tax Liability | 1,254 | (181) | (181) | (181) |
| Short-term Liabilities | 43,931 | 45,916 | 50,507 | 55,558 |
| Total | 234,228 | 248,372 | 279,685 | 314,226 |
| Assets | | | | |
| Net Fixed Assets | 103,831 | 103,627 | 104,094 | 109,131 |
| Long-Term L&A | 6,771 | 6,456 | 6,456 | 6,456 |
| Non Current Investments | 5,788 | 5,454 | 5,454 | 5,454 |
| Other Non-Current Assets | 776 | 740 | 740 | 740 |
| Current Asset | 117,062 | 132,095 | 162,940 | 192,445 |
| Total | 234,228 | 248,372 | 279,685 | 314,226 |

| Key Ratios | FY-20 | FY-21 | FY-22E | FY-23E |
|------------|-------|-------|--------|--------|
| EPS (₹) | 19.2 | 29.8 | 33.1 | 36.6 |
| P/E (x) | 47.4 | 30.5 | 27.4 | 24.9 |
| P/B (x) | 4.7 | 4.0 | 3.5 | 3.1 |
| ROE | 9.8% | 13.1% | 12.7% | 12.3% |

Source: Company, Anand Rathi Research

Key Risks:

- Regulatory risk.
- Supply chain disruption risk.
- Commoditization and business model disruption risk.

Rating and Target Price history:

CIPLA's rating history & price chart



CIPLA's rating details

| Date | Rating | Target Price (₹) | Share Price (₹) |
|-------------|--------|------------------|-----------------|
| 18-Mar-2021 | Buy | 949 | 755 |
| 01-Jun-2021 | Buy | 1100 | 946 |
| 19-Aug-2021 | Buy | 1100 | 909 |

Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 19 August 2021 close.

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| Ratings Guide (12 months) | Buy | Hold | Sell |
|----------------------------|-----|---------|-----------|
| Large Caps (>₹300Bn.) | 15% | 5%-10% | Below 5% |
| Mid/Small Caps (<₹300 Bn.) | 20% | 10%-15% | Below 10% |

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