

COMPANY PROFILE

Cipla Limited

REFERENCE CODE: FEF8E7EE-EE08-48AD-862B-53509D360E3D

PUBLICATION DATE: 30 Jun 2021

www.marketline.com

COPYRIGHT MARKETLINE. THIS CONTENT IS A LICENSED PRODUCT AND IS NOT TO BE PHOTOCOPIED OR DISTRIBUTED

TABLE OF CONTENTS

| | |
|-------------------------------|----------|
| Company Overview | 3 |
| Key Facts | 3 |
| SWOT Analysis | 4 |

COMPANY OVERVIEW

Cipla Limited (Cipla or 'the company') is a manufacturer of prescription drugs, veterinary and active pharmaceutical ingredient products. The company provides products for various therapeutic categories including dermatology, critical care, cardiovascular, infectious diseases, children's health, and cosmetology, HIV/AIDS, diabetes, neurosciences, hepatitis, malaria, oncology, ophthalmology, respiratory, osteoporosis and urology. It also manufactures metered-dose inhaler devices, spacers and related devices. The company is engaged in biosimilar and consumer healthcare. Cipla operates manufacturing facilities in multiple locations across the world. The company offers its products in South Africa, India, and North America and other markets. The company is headquartered in Mumbai, Maharashtra, India.

The company reported revenues of (Rupee) INR191,595.9 million for the fiscal year ended March 2021 (FY2021), an increase of 11.8% over FY2020. In FY2021, the company's operating margin was 16.6%, compared to an operating margin of 11.9% in FY2020. In FY2021, the company recorded a net margin of 12.6%, compared to a net margin of 9% in FY2020.

KEY FACTS

| | |
|--|--|
| Head Office | Cipla Limited Mumbai Central MUMBAI MUMBAI IND |
| Phone | 91 22 24826000 |
| Fax | 91 22 24826120 |
| Web Address | www.cipla.com |
| Revenue / turnover (INR Mn) | 191,595.9 |
| Revenue (USD Mn) | 2,592.9 |
| Financial Year End | March |
| Employees | 24,034 |
| National Stock Exchange of India Ticker | CIPLA |

SWOT ANALYSIS

Cipla Limited (Cipla or 'the company') is an India-based manufacturer of prescription drugs, APIs and veterinary products. Focus on innovation, and financial performance are its major strengths, even as trade receivables remains a cause for concern. Launch of new products, strategic initiatives and positive outlook for the global pharmaceutical industry could provide new growth avenues for the company. However, competition in Indian generics industry, new drug pricing control methods in India and intellectual property risk can challenge the company's operations and affect its profitability.

| | |
|--|--|
| Strength Focus on innovation Financial performance | Weakness Trade receivables |
| Opportunity Positive outlook for the global pharmaceutical industry Strategic initiatives Launch of new products | Threat Intellectual property risk Competition in Indian generics industry |

Strength

Focus on innovation

Cipla has strong innovation capabilities. Such focused innovation and manufacturing capabilities provide a competitive advantage for Cipla. The company's innovation focus on developing complex and advanced products. It employed over 1,300 scientists which develops novel products, enhancing existing products and drug delivery systems and expanding product applications. The company's R&D team partners to file drug master files and abbreviated new drug applications in the US, and pursue authorizations in EU. The company has six R&D units. It has 288 cumulative granted patents and 259 ANDAs. Cipla operates three state-of-the-art research facilities for API process development in India and has dedicated cancer and polypeptide development laboratories. In FY2020, the company spent INR11,750 million on research activities. In FY2020, the company filed 13 patents, launched 52 new products and registered six clinical trials.

Financial performance

Strong financial performance enables the company to provide higher returns to its shareholders, and attract further investments. Growth in revenue and profitability also enhance the company's ability to allocate adequate funds for growth and expansion. In FY2020, Cipla reported revenue of INR171,319.9 million, an increase of 4.7% as compared to INR 163,624.1 million in FY2019. The growth in revenue was due to increase of 13.2% in the sales from the US, 5% in the sales from India and 2.1% in the sales of South Africa. In FY2020, the company's operating margin was 11.9%, compared to an operating margin

of 10.9% in FY2019. Improving operating performance indicates the company's focus on efficient cost management.

Weakness

Trade receivables

Increasing receivables could adversely affect the company's cash flows. Cipla has reported increase in its trade receivables. The company's trade receivables stood at INR35,602.7 million in FY2020 compared to INR31,687.3 million in FY2019. The company maintains a substantial amount of current assets in the form of receivables. Such increasing accounts receivable reflects inefficient credit management by the company. In the backdrop of recovering economic slowdown, the probability of defaults by any of creditors increased, may impact the overall financial position of the company.

Opportunity

Positive outlook for the global pharmaceutical industry

The company could benefit from the growing global pharmaceutical industry. According to in-house research report, the market already realized a strong growth in past and is aiming for further positive result in coming future. The global pharmaceutical market is expected to reach value of US\$1,423.6 billion by the end of 2022. Major factors driving the growth include increased specialty drug innovation, greater patient access to medicines in developing countries and reduced impact from patent expiry dates. Apart from these, the global pharmaceutical market is projected to be strongly influenced by positive global GDP growth, innovations and the introduction of new products, wider access to healthcare services and rising funding. The company provides various solutions to pharmaceutical industries. Thus, positive outlook of global pharmaceutical industry may help in increasing demand for the company's products.

Strategic initiatives

Cipla focuses on strengthening its business through various strategic initiatives. In November 2020, Cipla entered a licensing agreement with Multi G in Belgium to distribute its Covid-19 rapid antibody test kit, Covi-G, in Europe. The licensing agreement is part of the company's efforts to improve global access to diagnostic infrastructure and life-saving treatments for patients in need. In September 2020, Cipla announced its plans to acquire US inhaler-maker for INR10,000 million. The acquisition would enable the company to boost manufacturing capabilities in the US with some ANDA pipeline. In August 2020, Cipla entered into a collaboration with Stempeutics Research Pvt to introduce Stempeucel in India. Stempeucel is indicated for the treatment of critical limb ischemia (CLI) due to Buerger's Disease and Atherosclerotic Peripheral Arterial Disease.

Launch of new products

Cipla intends to expand its market through new products development and innovation. The company's product development, innovation and brand portfolio flexibility serve different markets with market specific

products ranges are opportunities for succeeding in market competition. In FY2020, the company launched 52 new products, including 22 in India, 13 in the US, eight in Europe, six in emerging markets and three in SAGA. Cipla launched Formoterol fumarate dihydrate and Budesonide Inhalation aerosol, Glycopyrrolate Inhalation Solution, Budesonide Respule 1'S, Metoprolol Succinate ER, Pirfenidone Tablet, Cefpodoxime proxetil dry syrup, Pregabalin capsules, Gefitinib tablets, Fluticasone Propionate MDI, Esomeprazole granules, Dolutegravir, FPSM MDI and Mometasone nasal spray, Fenofibrate tablets, Tenofovir and Lamivudine tablets.

Threat

Intellectual property risk

The company's intellectual property rights could be challenged, invalidated, or infringed by its competitors. The company has strong R&D activity which allowed it to develop several new technologies. The company's intellectual property includes patents, trademarks, industrial design rights and various trade secrets. Currently, the company has several issued patents applications worldwide. Failure to meet the requirements in securing its technology could adversely hamper the company's competitive position. Similarly, the company could face infringement claims and incur additional costs that may affect its profitability.

Competition in Indian generics industry

Cipla faces competition in its domestic market. The generics industry in India is highly fragmented with many generic companies manufacturing equivalent products. The company's major competitors include Dr. Reddy's Laboratories, Sun Pharmaceuticals and Lupin. The Indian generics producers are feeling the competitive pressure not just from domestic generics producers but also from international manufacturers as well as from branded multinational pharma companies through the availability of own/authorized generics. Such companies are tapping into the growth potential of the Indian market, and also the country's low cost manufacturing facilities both for domestic distribution as well as for export. Hence, intense competition in the Indian generics industry could affect Cipla's market share.

Copyright of Cipla Limited SWOT Analysis is the property of MarketLine, a Progressive Digital Media business and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.