

# Financial Modelling and Valuation Report

**cipla**

*Caring For Life*

Made By:  
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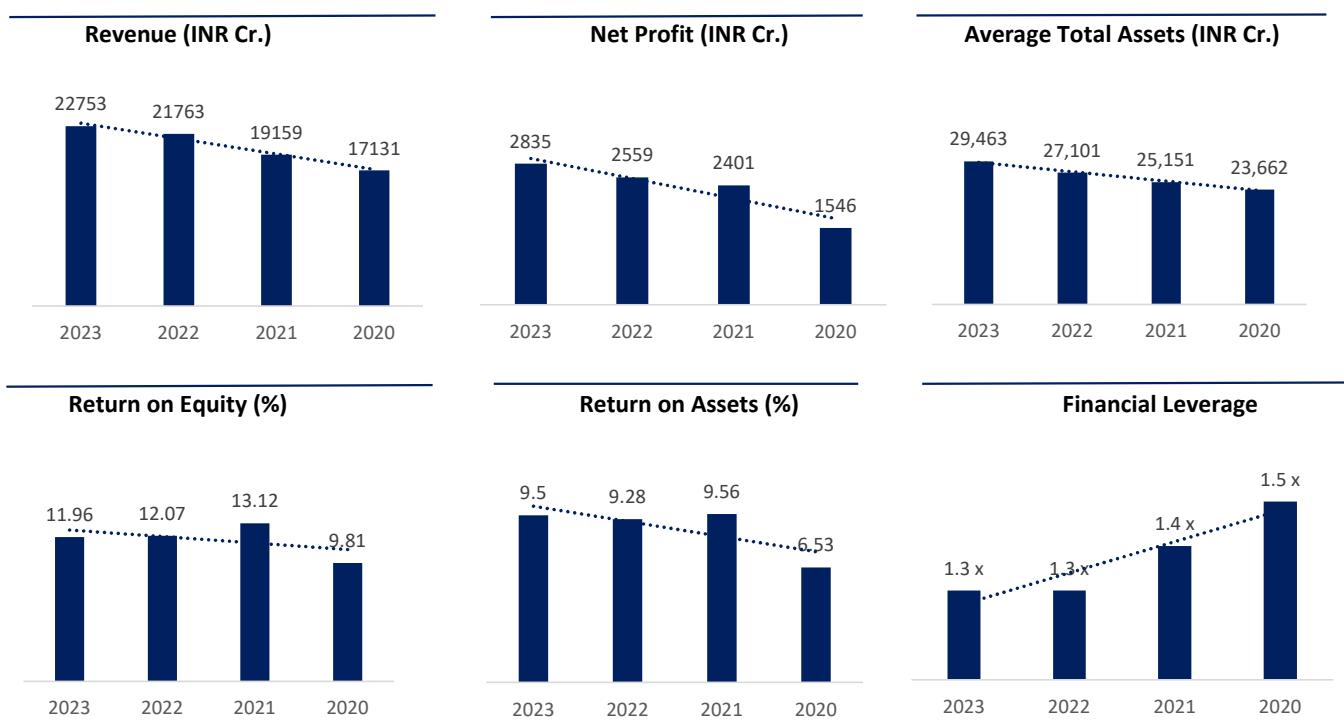


Founded	Industry Type	Products
1935 (89 Years Ago)	Pharmaceuticals	Pharmaceuticals and diagnostics
Traded As	Current Market Price	Revenue (FY23)
BSE: 500087 NSE: CIPLA	1469.75 (As on 24 Feb 2024)	₹22,753.00 (In Crores)

### Company Brief

Cipla Limited is an Indian multinational pharmaceutical company, headquartered in Mumbai. Cipla primarily develops medication to treat respiratory disease, cardiovascular disease, arthritis, diabetes, depression, and other medical conditions. Cipla has 47 manufacturing locations across the world and sells its products in 86 countries. It is the third largest drug producer in India.

### Financial Summary



### Recent Updates

Cipla reported a 31.8% year-on-year (YoY) jump in its October-December quarter consolidated net profit at Rs 1,056 crore. It was Rs 801 crore in the year-ago period. InterGlobe Enterprises, which runs and operates IndiGo airline, appointed Aditya Pande as the Group CEO with effect from March 2024.

Cipla is to transfer its generics business as a going concern on a slump sale basis to Cipla Pharma and Life Sciences Limited (CPLS), its wholly owned subsidiary, for ₹350 crore, subject to approvals.

Shares of Cipla jumped over 6% on Monday to hit new highs

Blackstone is likely to acquire an entire promoter stake in the company.

Cipla's net profit rose 45% YoY to Rs 996 crore in June 2023 quarter.





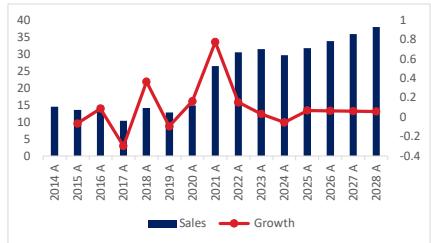
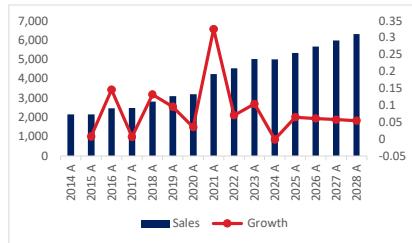
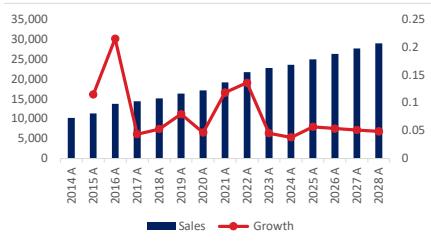






**Forecasting - Cipla Ltd**

CIPLA LTD - Sales Forecasting				CIPLA LTD - EBITDA Forecasting				CIPLA LTD - Earning per share (EPS) Forecasting			
Year Weight	Year	Sales	Growth	Year Weight	Year	Sales	Growth	Year Weight	Year	Sales	Growth
1	2014 A	10,173.39	11.52%	1	2014 A	2,146.94		1	2014 A	14.51	
2	2015 A	11,345.44	21.55%	2	2015 A	2,162.87	0.74%	2	2015 A	13.57	-6.48%
3	2016 A	13,790.10	4.38%	3	2016 A	2,479.67	14.65%	3	2016 A	14.78	8.88%
4	2017 A	14,394.29	5.29%	4	2017 A	2,496.31	0.67%	4	2017 A	10.37	-29.83%
5	2018 A	15,155.71	5.29%	5	2018 A	2,826.38	13.22%	5	2018 A	14.15	36.46%
6	2019 A	16,362.41	7.96%	6	2019 A	3,097.31	9.59%	6	2019 A	12.82	-9.39%
7	2020 A	17,131.99	4.70%	7	2020 A	3,205.99	3.51%	7	2020 A	14.92	16.36%
8	2021 A	19,159.59	11.84%	8	2021 A	4,252.43	32.64%	8	2021 A	26.48	77.47%
9	2022 A	21,763.34	13.59%	9	2022 A	4,552.78	7.06%	9	2022 A	30.50	15.19%
10	2023 A	22,753.12	4.55%	10	2023 A	5,026.97	10.42%	10	2023 A	31.50	3.27%
11	2024 E	23,616.61	3.80%	11	2024 E	5,021.88	-0.10%	11	2024 E	29.77	-5.50%
12	2025 E	24,964.55	5.71%	12	2025 E	5,348.63	6.51%	12	2025 E	31.84	6.97%
13	2026 E	26,312.49	5.40%	13	2026 E	5,675.37	6.11%	13	2026 E	33.91	6.51%
14	2027 E	27,660.43	5.12%	14	2027 E	6,002.12	5.76%	14	2027 E	35.99	6.11%
15	2028 E	29,008.37	4.87%	15	2028 E	6,328.87	5.44%	15	2028 E	38.06	5.76%



## Weighted Average Cost of Capital (WACC) - Cipla Ltd.

All figures are in INR unless stated otherwise

### Peer Companies

Name of Company	Country	Total Debt	Total Equity	Tax Rate <sup>1</sup>	Debt/ Equity	Debt/ Capital	Levered Beta <sup>2</sup>	Unlevered Beta <sup>3</sup>
Cipla	India	960.89	119,186.41	30%	0.81%	0.80%	0.27	0.27
Sun Pharma.Inds.	India	1,928.23	376,815.55	30%	0.51%	0.51%	0.58	0.58
Dr Reddy's Labs	India	1,323.00	107,103.35	30%	1.24%	1.22%	0.48	0.90
Zydus Lifesci.	India	191.90	94,261.54	30%	0.20%	0.20%	0.69	0.69
Lupin	India	3,784.61	73,360.45	30%	5.16%	4.91%	0.27	0.26
				Average	30.00%	1.58%	1.53%	0.46
				Median	30.00%	0.81%	0.80%	0.48
								0.54
								0.58

### Cost of Debt

Pre-Tax Cost of Debt	11.45%
Tax rate	30%
<b>Post-Tax Cost of Debt</b>	<b>8.02%</b>

### Cost of Equity

Risk Free Rate	7.23%
Equity Risk Premium	8.38%
Levered Beta <sup>4</sup>	0.58
<b>Cost of Equity</b>	<b>12.13%</b>

### Capital Structure

	Current	Target
Total Debt	960.89	0.8%
Market Capitalisation	119,186.41	99.2%
<b>Total Capital</b>	<b>120,147.30</b>	<b>100.0%</b>

<b>Debt/Equity</b>	<b>0.8%</b>	<b>1.6%</b>
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### Levered Beta

Companies Median Unlevered Beta	0.58
Target Debt/Equity	1.6%
Tax Rate	30%
<b>Levered Beta</b>	<b>0.58</b>

### Weighted Average Cost of Capital

	Total Cost	Total Weight
Debt	8.02%	98.47%
Equity	12.13%	1.5%
<b>Weighted Average Cost of Capital</b>	<b>8.08%</b>	

### Notes

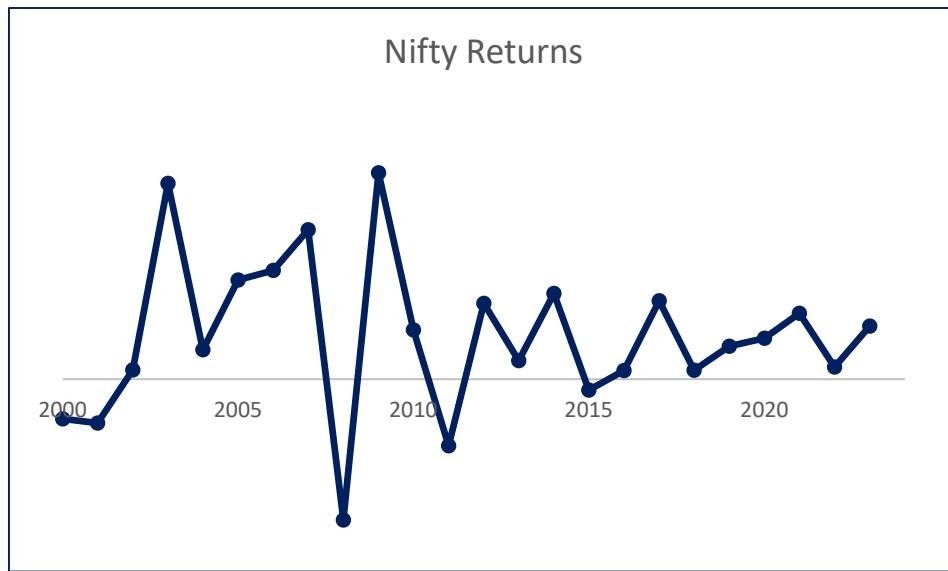
1. Tax Rate is considered marginal Tax Rate for the country
2. Levered beta is based on five years monthly data
3. Unlevered Beta = Levered Beta/(1+(1-Tax Rate)\*Debt/Equity)
4. Levered Beta = Unlevered Beta\*(1+(1-Tax Rate)\*Debt/Equity)



## Retun on Market - Cipla Ltd.

Year	Annual
2000	-14.65%
2001	-16.18%
2002	3.25%
2003	71.90%
2004	10.68%
2005	36.34%
2006	39.83%
2007	54.77%
2008	-51.79%
2009	75.76%
2010	17.95%
2011	-24.62%
2012	27.70%
2013	6.76%
2014	31.39%
2015	-4.06%
2016	3.01%
2017	28.65%
2018	3.15%
2019	12.02%
2020	14.90%
2021	24.12%
2022	4.32%
2023	19.42%

Average Return      15.61%  
Dividen Yield      1.23%<sup>1</sup>  
**Total Market Return    15.61%**



Calculation of ROIC - Cipla Ltd.	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
<b>Current Assets</b>					
Inventories	3,965.00	4,378.00	4,669.00	5,350.00	5,156.00
Trade receivables	4,151.00	3,891.00	3,446.00	3,424.00	4,057.00
Short term loans	9.00	8.00	1.00	13.00	8.00
Other asset items	2,180	2,164	2,144	3,141	4,598
<b>Total Current Assets</b>	<b>10305</b>	<b>10441</b>	<b>10260</b>	<b>11928</b>	<b>13819</b>
<b>Current Liabilities</b>					
Trade Payables	1,948.00	2,282.00	2,067.00	2,508.00	2,457.00
Advance from Customers	44.00	34.00	40.00	74.00	63.00
Other liability items	2,109.00	2,233.00	2,149.00	2,102.00	2,264.00
<b>Total Current Liabilities</b>	<b>4101</b>	<b>4549</b>	<b>4256</b>	<b>4684</b>	<b>4784</b>
<b>Net Working Capital</b>	<b>6,204.00</b>	<b>5,892.00</b>	<b>6,004.00</b>	<b>7,244.00</b>	<b>9,035.00</b>
<b>Non-Current Assets</b>					
Land	115.00	161.00	194.00	219.00	251.00
Building	2,547.00	2,866.00	2,805.00	3,051.00	3,116.00
Plant Machinery	4,585.00	4,916.00	5,291.00	5,811.00	5,931.00
Equipments	98.00	103.00	92.00	99.00	109.00
Computers	-	35.00	8.00	1.00	-
Furniture n fittings	150.00	156.00	147.00	156.00	159.00
Vehicles	11.00	13.00	12.00	14.00	10.00
Intangible Assets	3,427.00	3,566.00	3,779.00	3,951.00	3,825.00
Other fixed assets	2,925.00	3,336.00	3,458.00	3,666.00	3,721.00
<b>Gross Block</b>	<b>13,858.00</b>	<b>15,152.00</b>	<b>15,786.00</b>	<b>16,968.00</b>	<b>17,122.00</b>
Accumulated Depreciation	4,250.00	5,468.00	6,271.00	7,285.00	7,962.00
<b>Net Non-Current Assets</b>	<b>9,608.00</b>	<b>9,684.00</b>	<b>9,515.00</b>	<b>9,683.00</b>	<b>9,160.00</b>
<b>Invested Capital</b>	<b>15,812.00</b>	<b>15,576.00</b>	<b>15,519.00</b>	<b>16,927.00</b>	<b>18,195.00</b>
<b>EBIT</b>	<b>1,771.00</b>	<b>2,031.34</b>	<b>3,184.77</b>	<b>3,500.83</b>	<b>3,854.86</b>
<b>ROIC</b>	<b>11.20%</b>	<b>13.04%</b>	<b>20.52%</b>	<b>20.68%</b>	<b>21.19%</b>
Calculation of Reinvestment Rate - Cipla Ltd.	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Net Capex	504.00	986.00	791.00	681.00	1,136.00
Change in working Capital		(312.00)	112.00	1,240.00	1,791.00
EBIT	1,771.00	2,031.34	3,184.77	3,500.83	3,854.86
Marginal Tax Rate	<b>25.00%</b>	<b>25.00%</b>	<b>25.00%</b>	<b>25.00%</b>	<b>25.00%</b>
EBIT(1-T)	1,328.25	1,523.51	2,388.58	2,625.62	2,891.15
Reinvestment		674.00	903.00	1,921.00	2,927.00
<b>Reinvestment Rate</b>		<b>44.24%</b>	<b>37.80%</b>	<b>73.16%</b>	<b>101.24%</b>
			<b>4 Year Average</b>		<b>64.11%</b>
			<b>4 Year Median</b>		<b>58.70%</b>
Calculation of Growth Rate - Cipla Ltd	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Reinvestment Rate		44.24%	37.80%	73.16%	101.24%
ROIC		13.04%	20.52%	20.68%	21.19%
<b>Intrinsic Growth</b>		<b>5.77%</b>	<b>7.76%</b>	<b>15.13%</b>	<b>21.45%</b>
			<b>4 Year Average</b>		<b>12.53%</b>
			<b>4 Year Median</b>		<b>11.44%</b>

<b>Calculations of PV of FCFF - Cipla Ltd.</b>	<b>Mar-23 A</b>	<b>Mar-24 F</b>	<b>Mar-25 F</b>	<b>Mar-26 F</b>	<b>Mar-27 F</b>	<b>Mar-28 F</b>
EBIT	4,114.31	4,584.99	5,109.51	5,694.04	6,345.44	7,071.35
Tax Rate	<b>25.00%</b>	<b>25.00%</b>	<b>25.00%</b>	<b>25.00%</b>	<b>25.00%</b>	<b>25.00%</b>
EBIT(1-T)	3,085.73	3,438.74	3,832.13	4,270.53	4,759.08	5,303.51
Less: Reinvestment Rate	58.70%	60.05%	61.41%	62.76%	64.11%	64.11%
Free Cash Flow to Firm (FCFF)	1,274.41	1,373.69	1,479.01	1,590.45	1,708.03	1,903.43
Mid Year Convention		<b>0.5</b>	1.5	2.5	3.5	4.5
Discounting Factor		0.962	0.890	0.823	0.762	0.705
<b>PV of FCFF</b>		<b>1,321.36</b>	<b>1,316.34</b>	<b>1,309.72</b>	<b>1,301.42</b>	<b>1,341.91</b>

Expected Growth	<b>11.44%</b>
Terminal Growth	<b>7.10%</b>
WACC	8.08%

<b>Calculations of Terminal Value</b>
FCFF (n+1) 2,121.18
WACC 8.08%
Terminal Growth Rate 7.10%
<b>Terminal Value</b> <b>216,937.18</b>

<b>Sensitivity Analysis (Enterprise Value) - Cipla Ltd</b>				
159530.36	7.00%	<b>8.08%</b>	9.00%	10.00%
5.00%	81,361.95	81,361.95	43,976.35	36,499.23
6.00%	156,133.15	156,133.15	56,438.22	43,976.35
<b>7.10%</b>	156,133.15	<b>156,133.15</b>	56,438.22	43,976.35
8.00%	-142,951.65	-142,951.65	156,133.15	81,361.95

<b>Calculations of Equity Value per share</b>
PV of FCFF 6,590.75
PV Terminal Value 152,939.61
<b>Value of Operating Assets (EV)</b> <b>159,530.36</b>
Add: Cash 1,564.62
Less: Debt 674.00
<b>Value of Equity</b> <b>160,420.98</b>
No. Of shares 80.75
<b>Equity Value per share</b> <b>1,986.71</b>
<i>Share Price</i> 1469.85
<i>Discount/Premium</i> 0.74 x



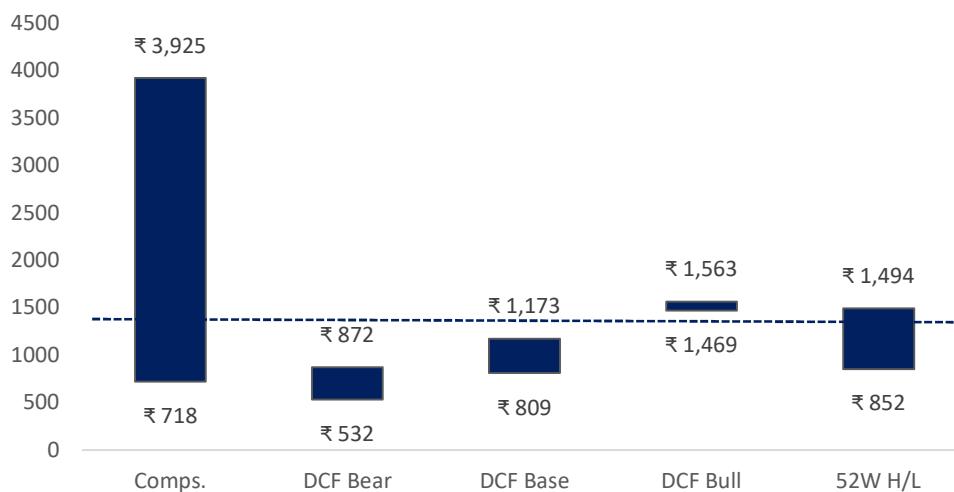




## Football Field Analysis - Cipla Ltd.

	<b>Open</b>	<b>Low</b>	<b>OpenHigh</b>	<b>High</b>
<b>Comps.</b>	718.47	718.47	3,924.91	3,924.91
<b>DCF Bear</b>	531.87	531.87	872.27	872.27
<b>DCF Base</b>	809.27	809.27	1,173.44	1,173.44
<b>DCF Bull</b>	1,469.12	1,469.12	1,562.89	1,562.89
<b>52W H/L</b>	852.00	852.00	1,494.00	1,494.00

### Football Field Analysis - Valuation Summary (Rs.)



*Current Market Price : 1483*

**Disclaimer:** This report is created solely for educational and learning purposes, utilizing publicly available online data accessible to everyone. It does not provide any buying or selling recommendations, and the author holds no liability for any losses resulting from its use.

#### Sources:

**Quantitative Data Source:** Cipla Ltd. (Annual Report FY 23), Screener.com, Yahoo Finance, Primeinvestor.in, Moneycontrol.com, Topstockresearch.com, Equitymaster.com, Tickerby finology, BSEIndia.com

**Qualitative Data Source:** Cipla Ltd. (Annual Report FY 23), Wikipedia.com, Equitymaster.com, Alphaspread.com, Screener.com, Yahoo Finance