

Price: 1,524

Recommendation: Buy

Industry: Pharmaceuticals

Sector: Healthcare

Report Date: 22-Mar-2025

Cipla's recent earnings call highlighted strategic initiatives for growth, reporting record quarterly revenue and EBITDA margins. Key markets include India, North America, South Africa, and EMEU. The company focuses on execution excellence, chronic therapies, and generics. It addresses supply issues, explores new product launches, and invests in technology like CipAir. Despite challenges, Cipla's diversified portfolio and strategic investments ensure resilience and future success.

Sales		Profit & Loss		Profitability Matrix	
Current Year	18284 Cr	Operating Profit(Year)	5288 Cr	Operating Profit Margin	28.9 %
Previous Year	14345 Cr	Operating Profit(Quarter)	1662 Cr	EBITDA Margin	30.08 %
Current Quarter	4971 Cr	PAT (Year)	4034 Cr	Net Profit Margin	24.3 %
Previous Quarter	4775 Cr	PAT (Quarter)	1438 Cr	EPS	58.3
Revenue (QYoY)	4381 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	26.4	Sales Growth	10.8 %	Sales Growth	4.1 %
PEG Ratio	1.52	PAT Growth	57.89 %	Sales Growth QYoY	13.47 %
EV/EBITDA	18.8	EPS Growth	15.45 %	PAT Growth	22.07 %
P/B	4.22	Dividend Yield	0.85	PAT Growth QYoY	41.26 %
Capital Allocation		Holdings		Leverage	
RoE	15.3 %	Promoter	29.2 %	Debt/Equity	0.00
RoA	13.8 %	FII	26.6 %	Debt	43.0 Cr
RoCE	18.6 %	DII	27.5 %	Market Cap	123068 Cr
RoIC	33.2 %	Public	16.4 %	Enterprise value	122721 Cr
		No of Shares	80.8 Cr	Cash Equivalents	390 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

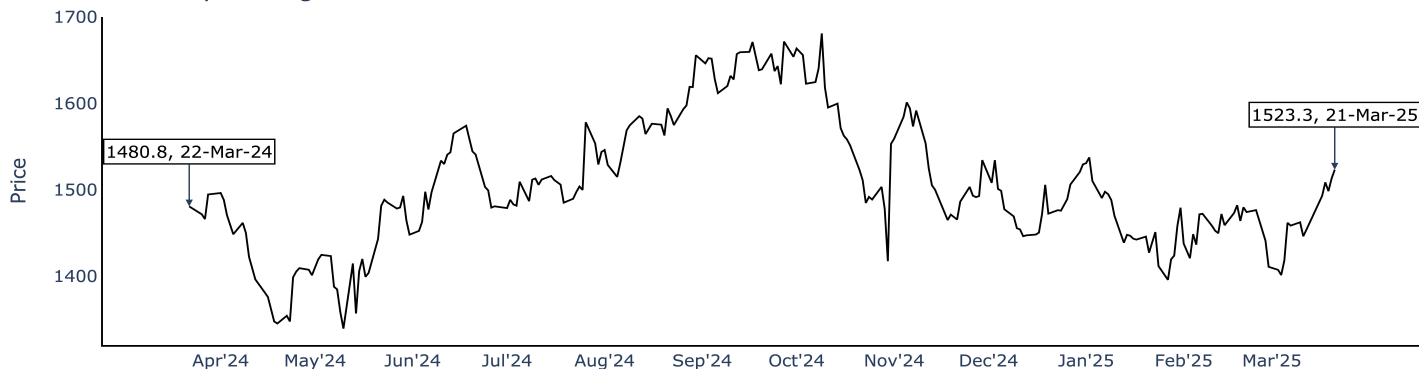
Cipla's recent earnings call highlighted several strategic initiatives and business strategies aimed at sustaining growth and expanding market presence. The company reported its highest-ever quarterly revenue and all-time high EBITDA margins, driven by core markets in India, North America, South Africa, and EMEU. Cipla's focus on execution excellence and strategic investments in chronic therapies have been pivotal. The introduction of a retail task force in India and the creation of a generics business with a team of 500+ personnel are notable steps towards enhancing business visibility. Additionally, the company has been actively derisking its manufacturing network and products to US facilities, with significant CAPEX investments in DPI, MDI, and large volume OSD facilities.

Cipla's diversification strategy is evident in its well-rounded business portfolio, with EMEU and One Africa businesses contributing significantly to the company's total revenue. The company has been proactive in addressing supply issues in North America and is focused on maximizing commercial execution and expediting launches from its US facility. In South Africa, the emphasis remains on margin expansion, while in EMEU, the priority is to maximize the top line by deepening market penetration and identifying growth opportunities. The company's consumer health business has also witnessed strong traction, with anchor brands maintaining leadership positions in their respective segments.

Looking ahead, Cipla is poised for future growth with a robust pipeline of new product launches, including generic Advair and Abraxane, which are expected to significantly contribute to the US top line. The company is also exploring opportunities in the obesity category, closely related to cardiology and metabolic segments. Cipla's commitment to innovation and technology is underscored by the launch of CipAir, an AI-powered mobile application for asthma screening in India. The company's strategic focus on branded prescriptions and trade generics in India is expected to continue driving growth, with a strong emphasis on execution excellence and technological interventions.

While Cipla's performance has been commendable, there are areas for improvement. The company acknowledges that sustaining a 28% EBITDA margin may not be feasible due to seasonal factors and market dynamics. Additionally, regulatory challenges and supply disruptions in certain markets pose potential risks. However, Cipla's strategic investments, diversified portfolio, and focus on execution excellence provide a solid foundation for continued growth and resilience in the face of market challenges. The company's proactive approach to addressing supply issues and its commitment to innovation and technology are expected to drive future success.

CIPLA Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Mankind Pharma	99639.78	51.53	19.71%	-5.26%	8.48%	-30.88%	-10.01%
Lupin	96544.71	33.66	14.14%	1.67%	10.97%	0.30%	39.48%
Zydus Lifesci.	92432.65	20.39	20.67%	0.61%	16.96%	12.39%	33.34%
Aurobindo Pharma	70333.14	19.79	11.53%	2.34%	8.53%	3.50%	-9.69%
Sun Pharma.Inds.	428161.33	36.31	16.69%	2.89%	10.46%	4.30%	22.66%

Aspect	Commentary
Revenue	The company achieved a significant increase in revenue, with a year-over-year growth of 10.8% and a quarter-over-quarter growth of 4.1%. This indicates a strong upward trend in sales performance, driven by strategic market expansions and product offerings.
Profit & Loss	Operating profit and PAT showed robust growth, with PAT increasing by 57.89% YoY. This reflects effective cost management and revenue growth, contributing to improved profitability and shareholder value.
Profitability Matrix	The company maintains strong profitability with an operating profit margin of 28.9% and a net profit margin of 24.3%. These metrics highlight efficient operations and a solid financial foundation, supporting sustainable growth.
Valuation Matrix	The valuation metrics, including a trailing P/E of 26.4 and a PEG ratio of 1.52, suggest the company is valued fairly relative to its growth prospects. The EV/EBITDA of 18.8 indicates a healthy valuation in the market.
Growth (YoY)	Year-over-year growth metrics are impressive, with sales growth at 10.8% and PAT growth at 57.89%. This demonstrates the company's ability to expand its market presence and enhance profitability effectively.
Growth (QoQ)	Quarter-over-quarter growth is steady, with sales increasing by 4.1% and PAT by 22.07%. This consistent growth trajectory underscores the company's operational efficiency and market adaptability.
Capital Allocation	The company exhibits strong capital allocation with a RoE of 15.3% and RoCE of 18.6%. These figures indicate effective use of equity and capital employed, enhancing shareholder returns.
Holdings	The shareholding pattern is diversified, with promoters holding 29.2%, FII at 26.6%, and DII at 27.5%. This balanced distribution reflects investor confidence and stability in the company's governance.
Leverage	The company maintains a conservative leverage position with a debt/equity ratio of 0.00, indicating financial prudence and a strong balance sheet, minimizing financial risk and enhancing creditworthiness.

Analyst viewpoint: Cipla Ltd. demonstrates robust growth potential, driven by an impressive quarterly revenue increase of 4.1% and a remarkable year-over-year PAT growth of 57.89%. The company's strategic focus on expansion in key markets such as India, North America, South Africa, and EMEU, alongside innovative product launches and technological advancements like the CipAir application, underpin its growth trajectory. Cipla's commitment to chronic therapies and generics, combined with its strategic capital allocation—reflected in a 15.3% ROE and a 18.6% ROCE—ensures accelerated growth and higher returns for shareholders. Furthermore, the company's PEG ratio of 1.52 and an EV/EBITDA of 18.8 indicate a healthy valuation landscape, positioning Cipla favorably in the market amidst its peers.

Despite Cipla's strong performance and promising outlook, it is important to remain aware of potential risks, such as regulatory challenges and possible supply disruptions that could impact its operations. However, the company's diversified portfolio, strategic investments, and relentless focus on execution excellence offer a solid foundation for overcoming market challenges. As Cipla continues to expand its market dominance and innovation-driven initiatives, we remain bullish on its prospects and recommend a buy for investors aiming for a short to mid-term growth trajectory.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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