

**Price:** 1,496

**Recommendation:** Buy

**Industry:** Pharmaceuticals

**Sector:** Healthcare

**Report Date:** 16-Apr-2025

Cipla, a leading pharmaceutical company, recently reported its highest-ever quarterly revenue of 7,073 crores, marking an 8% year-on-year growth. The company is focused on strategic initiatives like expanding its branded prescription business and field force in India. Cipla is also pursuing diversification through innovations like CipAir, an AI-powered asthma screening app, and expanding its consumer health business. Despite challenges in regulatory clearances and supply disruptions, Cipla's commitment to innovation and strategic investments positions it for future growth.

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	25.9	Sales Growth	10.8 %	Sales Growth	4.1 %
PEG Ratio	1.49	PAT Growth	57.89 %	Sales Growth QYoY	13.47 %
EV/EBITDA	18.5	EPS Growth	15.45 %	PAT Growth	22.07 %
P/B	4.15	Dividend Yield	0.89	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	120852 Cr
RoIC	33.2 %	Public	16.4 %	Enterprise value	120505 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 enhancing market presence. The company reported its highest-ever quarterly revenue of 7,073 crores, marking an 8% year-on-year growth, driven by strong performances in India, North America, South Africa, and EMEU. Cipla's EBITDA margin stood at an impressive 28%, reflecting a 184 basis points increase year-on-year. The company emphasized its commitment to execution excellence and strategic investments, particularly in its branded prescription business and field force expansion, which added over 1,800 personnel in India. Cipla's focus on chronic therapies and the introduction of a retail task force in India are pivotal to its growth strategy.

Cipla is actively pursuing diversification and innovation to bolster its business model. The company has launched CipAir, an AI-powered mobile application for asthma screening in India, and continues to expand its consumer health business with strong traction from anchor brands like Nicotex, Omnigel, and Cipladine. The trade generics business is back on a growth trajectory, supported by distribution excellence and technological interventions. Cipla's diversification strategy is further evidenced by its robust pipeline, including the anticipated launch of generic Advair and Abiraxane, which are expected to significantly contribute to the US top line. The company is also exploring opportunities in the respiratory segment, with potential launches of Symbicort and other inhalation assets.

Looking ahead, Cipla is focused on scaling its operations and enhancing profitability. The company aims to resolve supply issues in North America, maximize commercial execution, and expedite product launches from its US facility. In South Africa, the focus remains on margin expansion, while in EMEU, the priority is to deepen market penetration and sustain strong margins. Cipla's strategic investments in R&D, accounting for 5% of revenue, are expected to moderate as clinical trial requirements relax, allowing for more product programs in the pipeline. The company's commitment to derisking its assets and expanding its manufacturing capabilities in the US underscores its growth ambitions.

While Cipla's performance and strategic initiatives are commendable, there are areas for improvement. The company faces challenges with regulatory clearances and supply disruptions, particularly in the US market. Addressing these issues promptly will be crucial for maintaining growth momentum. Additionally, while the EBITDA margin is strong, sustaining such levels consistently may be challenging due to seasonal variations and market dynamics. Cipla's focus on innovation and diversification, coupled with its strategic investments, positions it well for future growth, but continuous monitoring and agile responses to market changes will be essential for long-term 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
Dr Reddy's Labs	96755.03	18.07	21.39%	4.27%	15.81%	11.83%	1.69%
Lupin	88381.77	30.83	14.14%	1.67%	10.97%	0.30%	39.48%
Zydus Lifesci.	82722.42	18.24	20.67%	0.61%	16.96%	12.39%	33.34%
Aurobindo Pharma	66410.23	18.71	11.53%	2.34%	8.53%	3.50%	-9.69%
Sun Pharma.Inds.	406123.34	34.47	16.69%	2.89%	10.46%	4.30%	22.66%

Aspect	Commentary
Revenue	The company achieved a significant increase in revenue, with a year-on-year growth of 8%, driven by strong performances across multiple regions. This growth reflects the company's strategic focus on expanding its market presence and enhancing its product offerings, positioning it well for future revenue generation.
Profit & Loss	The profit and loss statement shows a robust operating profit margin of 28.9%, indicating efficient cost management and strong operational performance. The net profit margin of 24.3% further underscores the company's ability to convert revenue into profit effectively, highlighting its financial health.
Profitability Matrix	The profitability matrix reveals a healthy EBITDA margin of 30.08%, suggesting strong earnings before interest, taxes, depreciation, and amortization. The EPS of 58.3 indicates solid earnings per share, reflecting the company's profitability and potential for shareholder returns.
Valuation Matrix	The valuation matrix shows a trailing P/E ratio of 25.9, suggesting the market's positive expectations for future earnings growth. The PEG ratio of 1.49 indicates a reasonable valuation relative to growth, while the EV/EBITDA of 18.5 suggests a fair enterprise value.
Growth (YoY)	Year-on-year growth metrics are impressive, with sales growth at 10.8% and PAT growth at 57.89%. This indicates strong overall business expansion and profitability improvements, driven by strategic initiatives and market penetration efforts.
Growth (QoQ)	Quarter-on-quarter growth shows a steady increase, with sales growth at 4.1% and PAT growth at 22.07%. This reflects the company's ability to maintain momentum and capitalize on market opportunities, ensuring consistent performance.
Capital Allocation	The capital allocation metrics highlight a strong return on equity (RoE) of 15.3% and return on capital employed (RoCE) of 18.6%, indicating efficient use of capital to generate returns. The return on invested capital (RoIC) of 33.2% further emphasizes effective capital management.
Holdings	The holdings structure shows a balanced distribution, with promoters holding 29.2% and institutional investors holding significant stakes. This indicates confidence in the company's governance and future prospects, supporting its market stability.
Leverage	The leverage metrics reveal a debt/equity ratio of 0.00, indicating minimal reliance on debt financing. This low leverage enhances financial flexibility and reduces risk, positioning the company well for sustainable growth and investment opportunities.

**Analyst viewpoint:** Cipla has demonstrated remarkable performance with its latest quarterly revenue reaching an all-time high, reflecting a significant year-on-year growth of 8%. The company's strategic initiatives in expanding its prescription business and diversifying through innovations like CipAir and its consumer health segment underscore a robust growth trajectory. Key metrics such as a 4.1% quarter-on-quarter sales growth and a 22.07% profit after tax growth highlight Cipla's ability to sustain momentum and capitalize on market opportunities. Valuation metrics present an attractive scenario for investors with a trailing P/E ratio of 25.9 and a PEG ratio of 1.49, suggesting balanced growth prospects in the mid-term. Cipla's prudent capital allocation with a return on equity standing at 15.3% and an impressive return on invested capital at 33.2% further enhance its investment appeal.

The company's commitment to scaling operations and product diversification, particularly in the US market, is bolstered by its focus on strategic R&D; investments. This solidifies its potential for future growth despite challenges in regulatory clearances and supply chain disruptions in some regions. Meanwhile, Cipla's debt-free status offers financial flexibility, ensuring durability amidst volatile market conditions. Despite these strengths, it is essential to note the potential impact of external market dynamics which could pose challenges to maintaining its current EBITDA margins consistently. Nonetheless, Cipla's forward-looking strategies and market penetration efforts poise it well for continued success in the short to mid-term.

Please read detailed disclosure on next page.

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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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