


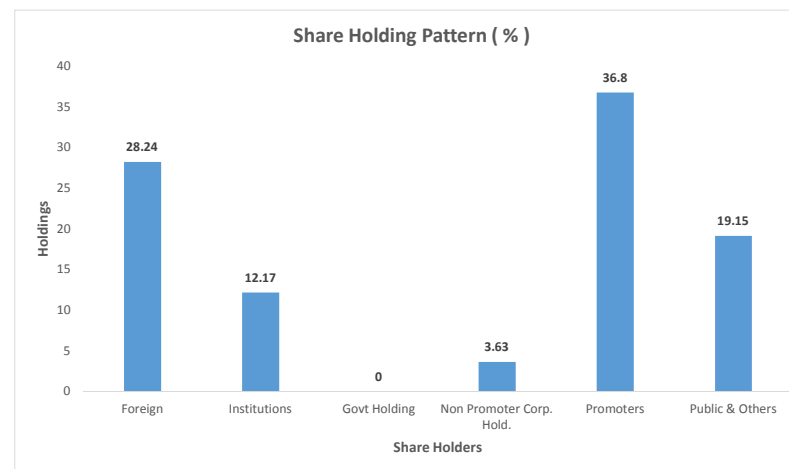
<h1>Research Report</h1>	 <p><b>Spearhead FinServe</b> PRIVATE LIMITED A subsidiary of Spearhead Services Pvt Ltd</p>																		
<h2>Cipla</h2>	<table> <tr> <td><b>Recommendation</b></td><td><b>Accumulate</b></td></tr> <tr> <td><b>Current Market Price</b></td><td><b>515</b></td></tr> <tr> <td><b>Target</b></td><td><b>600</b></td></tr> <tr> <td><b>Accumulation Price Band</b></td><td><b>500 - 520</b></td></tr> <tr> <td><b>Time Frame</b></td><td><b>6 Months</b></td></tr> <tr> <td><b>Derivative Segment</b></td><td><b>Yes</b></td></tr> </table>	<b>Recommendation</b>	<b>Accumulate</b>	<b>Current Market Price</b>	<b>515</b>	<b>Target</b>	<b>600</b>	<b>Accumulation Price Band</b>	<b>500 - 520</b>	<b>Time Frame</b>	<b>6 Months</b>	<b>Derivative Segment</b>	<b>Yes</b>						
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<h2>Industry : Pharmaceuticals</h2>	<table> <tr> <td colspan="2"><b>Quick Glance</b></td></tr> <tr> <td>Share Capital ( Rs Cr )</td><td>160.58</td></tr> <tr> <td>Market Cap ( Rs Cr )</td><td>41,293.00</td></tr> <tr> <td>Enterprise Value ( Rs Cr )</td><td>41,293.55</td></tr> <tr> <td>Face Value ( in Rs )</td><td>2.00</td></tr> <tr> <td>52 Week High/ Low ( in Rs )</td><td>517.10/366.70</td></tr> </table>	<b>Quick Glance</b>		Share Capital ( Rs Cr )	160.58	Market Cap ( Rs Cr )	41,293.00	Enterprise Value ( Rs Cr )	41,293.55	Face Value ( in Rs )	2.00	52 Week High/ Low ( in Rs )	517.10/366.70						
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<h3>Company Overview</h3> <ul style="list-style-type: none"> <li>Incorporated in the year 1935, Cipla is a pharmaceutical company focusing on development of new formulations and has a wide range of pharmaceutical products.</li> <li>Being the 2nd largest domestic formulations player with a 5% market share and operating in various business arenas, the offers a wide range of food and beverages, baked foods, oral hygiene products, detergents, room fresheners and personal care products, along with the prescription drugs, bulk drugs, animal products and pesticides.</li> </ul>	<table> <tr> <td colspan="2"><b>Financials</b></td></tr> <tr> <td>EPS ( Rs )</td><td>14.92</td></tr> <tr> <td>Book Value ( Rs )</td><td>125.06</td></tr> <tr> <td>P/E</td><td>34.48</td></tr> <tr> <td>P/BV</td><td>3.48</td></tr> <tr> <td>ROE</td><td>14.03</td></tr> <tr> <td>ROCE ( % )</td><td>23.35</td></tr> <tr> <td>Dividend Yield ( % )</td><td>0.39</td></tr> <tr> <td>Debt - Equity</td><td>0.06</td></tr> </table>	<b>Financials</b>		EPS ( Rs )	14.92	Book Value ( Rs )	125.06	P/E	34.48	P/BV	3.48	ROE	14.03	ROCE ( % )	23.35	Dividend Yield ( % )	0.39	Debt - Equity	0.06
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<h3>Industry Overview</h3> <ul style="list-style-type: none"> <li>The global pharmaceutical market is estimated to be worth USD 1 trillion in 2013 is expected to be worth more than USD 1 trillion in 2014. It is expected to grow at a CAGR of 6% to reach USD 1.2 trillion by 2016 .This growth will be largely contributed by what is called the 'pharmerging' markets, generics and the biologics space.</li> <li>However, The Indian Pharma Industry witnessed a slowdown in the last year due to implementation of new pricing policy and trade issues related thereto, but are expected to bounce back provided the macro-economic factors remain favorable.</li> <li>The Indian Pharmaceuticals posted another healthy quarter driven by US and ROW markets, accompanied by growth in the sector supported by revival of domestic formulation market.</li> <li>The US market continues to grow robustly as Indian pharmaceuticals players focus on niche launches and limited competition product portfolio</li> </ul>	<table> <tr> <td colspan="2"><b>Highlights</b></td></tr> <tr> <td>Debt ( Rs Cr )</td><td>1,069.57</td></tr> <tr> <td>Reserves ( Rs Crs )</td><td>1,043.29</td></tr> <tr> <td>FII Holdings ( % )</td><td>23.69</td></tr> <tr> <td>MF Holdings ( % )</td><td>4.21</td></tr> <tr> <td>Free Float Market Capitalization ( Rs Cr )</td><td>26,092.31</td></tr> <tr> <td>Beta</td><td>0.51</td></tr> <tr> <td>Avg Volume Per day ( no. of shares )</td><td>119,808</td></tr> <tr> <td>Avg Volume Per Month ( no. of shares )</td><td>2,515,968</td></tr> </table>	<b>Highlights</b>		Debt ( Rs Cr )	1,069.57	Reserves ( Rs Crs )	1,043.29	FII Holdings ( % )	23.69	MF Holdings ( % )	4.21	Free Float Market Capitalization ( Rs Cr )	26,092.31	Beta	0.51	Avg Volume Per day ( no. of shares )	119,808	Avg Volume Per Month ( no. of shares )	2,515,968
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<h3>Key Highlights</h3> <ul style="list-style-type: none"> <li>Cipla's domestic formulations business is expected to grow 20% over the next couple of years driven by improved productivity of the field force and incremental product launches</li> <li>Cipla's export business is expected to be driven by launch of combination inhalers in EU markets, incremental product launches by its partners and own product filings in the US, Increased focus on PEPFAR tenders</li> <li>On the product filing front, Cipla has filed ~160 drug master filings (DMFs) and 118 abbreviated new drug applications (ANDAs) which provides visibility</li> </ul>																			
<h3>Key Risks</h3> <ul style="list-style-type: none"> <li>Price Controls by NPPA</li> <li>Adverse regulatory actions by USFDA</li> </ul>																			

## Financial Highlights

Income Statement ( Annual )					
Particulars( Rs Cr )	2014	2013	2012	2011	2010
Net Sales	8,202.42	6,977.50	6,331.09	5,359.52	4,960.60
EBITDA	2,348.27	1,730.16	1,412.34	1,518.54	1,105.33
EBITDA Margin	28.31	24.46	22.07	28.06	22.01
Depreciation	303.03	282.07	248.03	165.25	151.79
Interest	33.38	26.63	12.92	28.30	52.23
Other Income	229.13	148.30	91.64	448.72	355.22
PBT	2,011.86	1,421.46	1,151.39	1,324.99	901.31
APAT	1,507.11	1,123.96	960.39	1,081.49	776.81
PAT Margin ( % )	18.17	15.89	15.01	19.98	15.47
Earnings Per Share	18.43	13.67	11.50	13.14	9.65

Balance Sheet					
Particulars ( Rs Cr )	2013	2012	2011	2010	2009
Equity Share Capital	160.58	160.58	160.58	160.58	155.46
Reserves and Surplus	8,708.94	7,389.70	6,452.37	5,753.51	4,195.29
<b>Tangible Net Worth</b>	<b>1,043.29</b>	<b>72.04</b>	<b>462.39</b>	<b>5.07</b>	<b>940.24</b>
Deferred Tax Liability :	281.20	232.45	212.45	179.15	164.15
Long Term Debt	0.55	2.20	2.92	4.66	937.45
ShortTerm Debt	965.40	10.72	438.47	0.41	2.79
<b>Total Debt</b>	<b>965.95</b>	<b>12.92</b>	<b>441.39</b>	<b>5.07</b>	<b>940.24</b>
Current Liabilities	1,069.57	917.92	961.16	998.25	1,012.85
Total Provisions	229.63	220.64	198.88	216.37	196.71
<b>Total Liabilities</b>	<b>9,912.81</b>	<b>7,622.32</b>	<b>7,075.34</b>	<b>5,919.16</b>	<b>5,290.99</b>
Gross Block	4,983.81	4,298.18	3,928.47	2,895.44	2,693.29
Net Fixed Assets	3,418.29	3,002.66	2,867.65	2,011.17	1,992.49
<b>Investments</b>	<b>2,601.82</b>	<b>1,035.15</b>	<b>570.65</b>	<b>265.10</b>	<b>81.32</b>
<b>Current Assets</b>	<b>4,748.73</b>	<b>4,218.33</b>	<b>4,320.81</b>	<b>4,352.42</b>	<b>4,224.57</b>
Deferred Tax Asset :	-	-	-	-	-
Receivables	1,645.22	1,519.31	1,497.04	1,552.71	1,837.15
Inventories	2,343.37	1,824.50	1,883.16	1,512.58	1,398.32
Cash	105.07	55.06	83.98	60.84	53.00
<b>Total Assets</b>	<b>9,912.81</b>	<b>7,622.32</b>	<b>7,075.34</b>	<b>5,919.16</b>	<b>5,290.99</b>

Income Statement ( Quarterly )								
Particulars ( Rs Cr )	2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net Sales	2,194.19	2,253.20	2,302.86	2,284.70	1,900.29	2,039.59	2,152.63	1,922.03
EBITDA	451.83	456.02	617.45	744.51	467.90	546.37	739.74	594.25
EBITDA Margin	20.59	20.24	26.81	32.59	24.62	26.79	34.36	30.92
Depreciation	81.00	82.08	81.65	78.88	78.25	78.00	73.96	72.82
Interest	25.19	28.30	33.61	40.76	17.63	9.30	4.01	2.43
Other Income	93.54	53.08	64.52	69.14	58.45	53.48	64.14	53.06
PBT	345.64	345.64	502.19	624.87	372.02	459.07	661.77	519.00
APAT	276.64	260.77	376.03	474.90	267.56	338.78	500.01	400.76
PAT Margin ( % )	12.61	11.57	16.33	20.79	14.08	16.61	23.23	20.85
Earnings Per Share	3.44	3.25	4.68	5.91	3.33	4.22	6.23	4.99

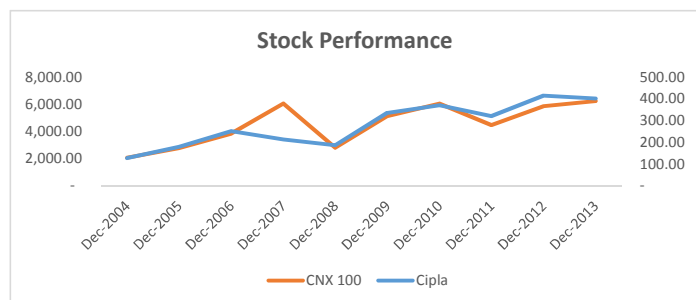


Key Financial Indicators						
Particulars	Units	2013	2012	2011	2010	2009
Revenue	Crs	8,202.42	6,977.50	6,331.09	5,359.52	4,960.60
EBITDA Margins	%	28.31	24.46	22.07	28.06	22.01
PAT	Crs	1,507.11	1,123.96	960.39	1,081.49	776.81
PAT Margins	%	18.17	15.89	15.01	19.98	15.47
Revenue Growth	%	17.56	10.21	18.13	8.04	24.08
EBITDA Growth	%	35.73	22.50	(6.99)	37.38	13.70
PAT Growth	%	34.09	17.03	(11.20)	39.22	10.75
Gearing	times	0.06	0.03	0.04	0.09	0.18
ROCE	%	23.35	19.73	17.94	24.18	19.93
ROE	%	17.20	14.94	14.51	18.34	17.12

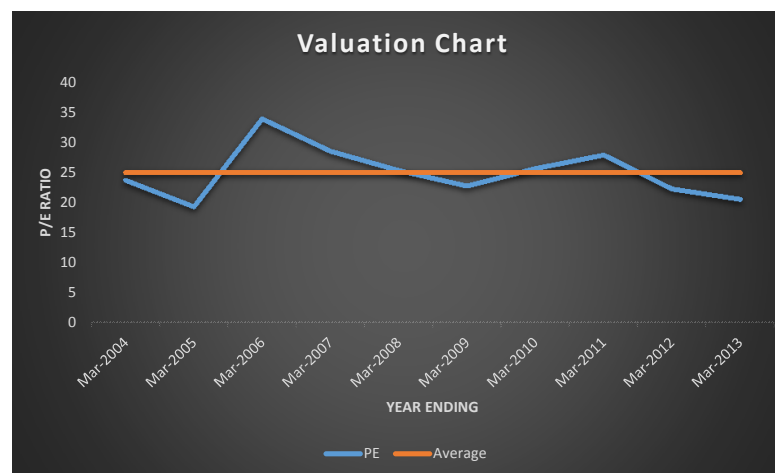
Peer Comparison				
Particulars	Units	Cipla	Sun Pharma	Dr Reddys Lab
Revenue	Rs Cr	8,202.42	2,518.49	9,810.00
EBITDA Margins	%	28.31	29.75	29.70
PAT	Rs Cr	1,507.11	493.09	1,926.89
PAT Margins	%	18.17	20.51	19.70
Gearing	%	0.06	0.01	0.28
EPS	Rs / Share	14.92	28.35	137.42
PE	times	34.48	30.15	21.48
P/BV	times	3.48	8.42	4.89
ROCE	%	23.35	8.30	23.08
ROE	%	14.03	23.97	24.96
EV/EBITDA	times	13.35	112.59	15.64

#### Stock Performance vis-a-vis Index

Particulars	Return	
	YTD	QTD
Cipla	28.23%	17.40%
CNX 100	27%	4%



#### Valuation Chart



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