

Cipla Ltd.**₹ 383****King of the Generic World****Buy**

Feb 08, 2013

Company Background

Cipla Ltd. (Cipla) laid foundation for the Indian pharmaceutical industry back in 1935 with the vision of making India self-reliant and self-sufficient in healthcare. Over the years Cipla has emerged as one of the most respected names not just in India but worldwide. Today, it is one of the world's largest generic pharma companies with a presence in over 170 countries. Cipla is renowned for making affordable, world-class medicines that meet needs of patients across therapies. It also offer services like consulting, commissioning, plant engineering, technical know-how transfer and support. Its state of the art R&D centre has given the country and the world many firsts. This includes the revolutionary AIDS cocktail for less than a dollar a day. With over 34 manufacturing units across India, Cipla manufactures over 2000 products in 65 therapies & segments. With a turnover of over USD 1.4 bn, Cipla has earned a name for maintaining one global standard across all its products and services. Cipla continues to support, improve and save millions of lives with its high - quality drugs and innovative devices.

Key Highlights

- ➔ Cipla is in preliminary discussions and has made an indicative proposal in relation to the acquisition of approx 51% equity stake in Medpro South Africa Ltd for a total consideration of approx USD 220 mn.
- ➔ Indore SEZ has done INR 3000 mn revenues for 1HFY13 with 70% capacity utilization for tablets and capsules.
- ➔ Change in product mix from ARV's to therapies like anti -depressant have given better pricing power to the company. It has taken price increases across therapies & markets.
- ➔ Cipla is setting up additional R&D facilities at Vikhroli and Patalganga. It is anticipated that operations will commence during 2012-13. It is also setting up API facilities at Patalganga, Bengaluru and Kurkumbh which are expected to be completed in 2012-13.
- ➔ Cipla turned victorious against Drug MNC Roche in a patent infringement case on cancer drugs, in the wake of it Cipla has reduced prices of its 3 Cancer drugs by 50-64% thus expected to pick up market share.

Key Financials

Year Ended 31 st	Mar 10	Mar 11	Mar 12
Revenue (INR mn)	58,082.4	64,227.3	71,258.0
Rev. growth (%)	9.26	10.58	10.95
EBITDA (INR mn)	16,590.9	14,274.8	17,845.7
Net profit (INR mn)	10,814.9	9,603.9	11,239.6
Shares outstanding (mn)	802.9	802.9	802.9
EPS (INR)	13.5	12.0	14.0
EPS growth (%)	34.78	(11.20)	17.03
P/E (x)	25.0	26.8	21.8
RONW (%)	19.0	15.3	16.4
ROCE (%)	17.4	14.7	15.8

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Info Codes

Reuters	: CIPL.BO
Bloomberg	: CIPLA@IN
NSE	: CIPLA
BSE	: 500087

Market Data

52 Wk Range (₹)	: 435 / 287
Shares in Issue (mn)	: 802.9
Mkt. Cap (₹ bn)	: 305.83
BSE 2 Wk Avg Vol	: 176000

Share Holding Pattern (%)

Promoters	: 36.80
DII's	: 11.84
FII's	: 22.24
Others	: 29.12

Investment Theme

Cipla maintains its leadership in various therapy segments in domestic market. It plans to target a revenue growth of 15%+ for FY 2012-13 to stay near about USD 1.5 bn, hoping to achieve turnover of USD 5 bn by year 2020. Domestic formulation business is expected to grow by 18% in the coming year led by key therapies like respiratory, CVS and antibiotic. On the exports front, it is focusing on Europe inhalers business and expects growth followed by some of the African markets. EBIDTA margins are expected to be higher as compared to last year as during the Q1& Q2 Cipla has enjoyed benefits of Lexapro which benefitted margins nicely. Going forward too, it expects to have better margins backed by the cost rationalization & business growth. With strong product mix, increasing focus on exports, firm guidance & ramp up of its facilities, Cipla's revenue looks strong.

Everything from Cold to Cancer

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 10	Mar 11	% Chg	Mar 12	% Chg
Total Sales + Excise	56786.2	64003.8	12.71	70775.6	10.58
Other Income	1807.3	852.7	(52.82)	1086.2	27.38
Change in Stocks	2651.9	1387.1	(47.69)	(112.4)	(108.10)
Raw Material Con.	16817.1	24370.5	44.91	23484.0	(3.64)
Employee Exp.	3188.7	4642.2	45.58	6447.9	38.90
Indirect Taxes	569.0	770.1	35.34	1111.7	44.36
Other Exp.	24079.7	22186.0	(7.86)	22860.1	3.04
Operating Exp.	42002.6	50581.7	20.43	54016.1	6.79
Operating Profit	14783.6	13422.1	(9.21)	16759.5	24.86
Total Interest	921.9	129.2	(85.99)	266.3	106.11
Gross Profit	15669.0	14145.6	(9.72)	17579.4	24.27
Net Dep.	2419.1	2631.7	8.79	3364.8	27.86
Total Taxation	2435.0	1910.0	(21.56)	2975.0	55.76
Net Profit/Loss	10814.9	9603.9	(11.20)	11239.6	17.03

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 09	Mar 10	Mar 11	Mar 12
SOURCES OF FUNDS	52,820.2	59,472.4	70,746.2	75,791.8
Equity Share capital	1,554.6	1,605.8	1,605.8	1,605.8
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	41,863.2	57,445.4	64,434.0	73,807.3
Long Term Loans	734.8	46.6	38.3	29.2
Short Term Loans	8,667.6	374.6	4,668.1	349.5
USES OF FUNDS	52,820.2	59,472.4	70,746.2	75,791.8
Gross Block	26,932.9	28,954.4	39,284.7	42,981.8
Less : Revaluation Reserves	89.7	89.7	89.7	89.7
Less : Accumulated Depreciation	7,008.0	8,842.7	10,608.2	12,955.2
Net Block	19,835.2	20,022.0	28,586.8	29,936.9
Capital Work in Progress	3,663.2	6,842.4	2,530.7	3,434.5
Investments	813.2	2,651.0	5,787.5	10,767.9
Current Assets	51,724.2	55,673.2	52,887.2	52,147.5
Less : Current Liabilities	23,215.6	25,716.2	19,046.0	20,495.0
Total Net Current Assets	28,508.6	29,957.0	33,841.2	31,652.5
Misc. Expenses not written	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	23.0	196.9	3,551.6	5,034.7
Mkt Val. Quoted Investments	790.2	2,454.1	2,235.9	5,733.2
Contingent Liabilities	15,472.9	16,018.3	11,109.6	13,200.7
Dividend (%)	100	140	100	100

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Dec 11	Mar 12	Jun 12	Sep 12
Net Sales	17,580.00	18,655.70	19,581.90	21,918.40
Cost Of Sales	13,665.50	14,667.90	14,183.40	15,148.90
Operating Profit	3,914.50	3,987.80	5,398.50	6,769.50
Recurring Income	301.60	389.50	530.60	641.40
Adjusted PBDIT	4,216.10	4,377.30	5,929.10	7,410.90
Financial Expenses	32.40	22.50	10.90	53.60
Depreciation	757.40	704.60	728.20	739.60
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	3,426.30	3,650.20	5,190.00	6,617.70
Tax Charges	727.20	732.80	1,182.40	1,617.60
Adjusted PAT	2,699.10	2,917.40	4,007.60	5,000.10
Non Recurring Items	0.00	0.00	0.00	0.00
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	2,699.10	2,917.40	4,007.60	5,000.10

52 Week Index Relative Percentage Appreciation



Cipla vs SENSEX vs Healthcare

Points to ponder

India's pharmaceutical sector is gaining its position as a global leader. The Indian pharmaceutical industry maintained its momentum and registered a growth of about 15 percent, according to ORG-IMS statistics. This growth can be attributed to prominent factors, such as a growing middle class population, rapid urbanization, increase in lifestyle related diseases and growth in the health insurance sector. India tops the world in exporting generic medicines worth USD 11 bn. The size of the Indian formulations market, which currently stands at around Rs 62,000 crore (USD 11.21 bn), is growing at 15 - 20 % annually. The cumulative drugs and pharmaceuticals sector attracted foreign direct investments (FDI) worth USD 9,596 mn between April 2000 to May 2012, according to the latest data published by Department of Industrial Policy and Promotion (DIPP). India's exports of drugs, pharmaceutical and fine chemicals grew by 27 % to Rs 60,000 crore (USD 10.85 bn) for the year ended March 2012, according to data compiled by Pharmaceutical Exports Council of India (Pharmexcil). Exports were higher by 27.2 % to Rs.6,480.3 crore in the month of June 2012. During the June 2012 quarter, exports in rupee terms grew by a robust 37.1 % as compared to a 18.6 % growth in the year ago quarter. A sharp depreciation in the value of rupee boosted the growth in exports during the quarter. During April-June 2012, exports to US grew by a whopping 47.2 %. Exports to UK and Germany rose by 25.8 % and 34.6 %, respectively. Exports to Russia and Brazil grew by 30.5 % and 44.3 %, respectively. Drug imports were higher by 42.2 % to Rs.1,359.4 crore in the month of June 2012. In the June 2012 quarter, drug imports grew by 39.4 % to Rs.4,050 crore.

In a Nutshell

Chemical, Industrial & Pharmaceutical Laboratories, now known as Cipla, was incorporated in 1935. Khwaja Abdul Hamied, the founder of Cipla gave the company all his patent and proprietary formulas for several drugs and medicines, without charging any royalty. Cipla focuses on development of new formulations and has a wide range of pharmaceutical products. It offers prescription drugs, bulk drugs, animal products and pesticides. It also offers a wide range of food and beverages, baked foods, oral hygiene products, detergents, room fresheners & personal care products. Almost 55% of its income comes from abroad. It has 5,500 registered products in 170 countries. It offers drugs used for treatment of cancer, Alzheimer's, arthritis, Parkinson's, cardiovascular diseases, HIV and many more. It also provides consulting services on preparation of products and materials, conducts plant evaluation and supplies plant equipments. Cipla has set up two institutes namely Dr K.A Hamied Institute and Cipla Cancer Palliative Care & Training Centre. Its manufacturing units are approved by regulatory authorities like USFDA, WHO-Canada and MHRA-UK, etc. Cipla was first company outside US and Europe to launch CFC-free inhalers. In 2007 Cipla launched oral emergency contraceptive pill under the brand name I-Pill which was later purchased by Piramal Healthcare. Cipla also launched a breakthrough screening technology in India called the 'No Touch Breast Scan (NTBS);' the first-ever painless, non-invasive and radiation-free breast scanning technique for detecting breast cancer at an early stage. Looking at the breadth in Healthcare Cipla covers its growth is clearly visible as the quantum of its sales.

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Rating Interpretation

Buy	: Expected to appreciate 20% or more over 12-months	Reduce	: Expected to depreciate up to 10% over 12-months
Accumulate	: Expected to appreciate 10% to 20% over 12-months	Sell	: Expected to depreciate 10% or more over 12-months
Trade Buy	: Expected to appreciate more than 10% over 45-days	Trade Sell	: Expected to depreciate more than 10% over 45-days

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