

**January 27, 2016**
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Cipla is one of the oldest Indian based global pharmaceutical companies with a diverse range of more than 1,000 products. The company has 180 global partners across 120 countries. Cipla has a presence in Africa, Middle East, Latin America, Asia Pacific, China and Russia. In the domestic market, the company is a prominent player with a gamut of product offerings and a network of 7,500 MRs.

## Key Developments

### Key inhalation launches in Europe:

The company has started the launch of inhalers in Europe. Cipla had already launched gSeretide in certain EU (non-UK) territories. It has over 200 drugs under development.

### US acquisitions – InvaGen and Exelan:

Cipla (EU) Ltd. has entered into an agreement to acquire two US based companies viz. - InvaGen Pharmaceuticals and Exelan Pharmaceuticals Inc. InvaGen currently has 40 approved ANDAs (Abbreviated New drug Application) (32 commercialized) and a pipeline of 30 pending ANDAs (including 5 FTFs (first to file)). After the acquisition, the company's ANDAs pending for approval with the USFDA (US Food & Drug Administration) stands at more than 100 with key complex generics in InvaGen portfolio.

### Domestic business performance:

Cipla is one of the major players in the domestic formulation market and Indian business contributes 43% to the company's overall revenues with 5.27% market share in branded generics and key therapies such as respiratory and anti-viral. During FY15, the company posted a growth of 20% and the company launched the generic drug of sofosbuvir for the treatment of hepatitis-C.

### International (Rest of the World) operations:

International markets include all export markets excluding North America, South Africa and Europe with 180 global partners across 120 countries. Cipla has presence in Africa, Middle East, Latin America, China and Russia. International business contributed 25% to the top line in FY15 registering a growth of 9%.

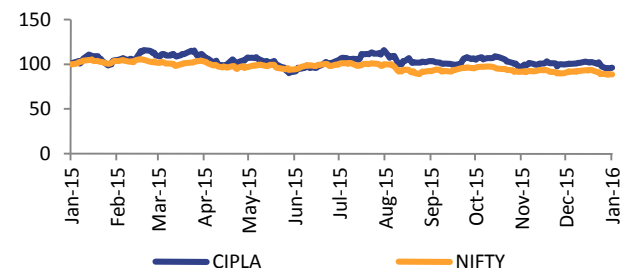
## Market Data

<b>CMP (Rs.)</b>	<b>581</b>
Face Value	2.0
52 week H/L (Rs.)	753/571
Adj. all time High (Rs.)	753
Decline from 52WH (%)	22.9
Rise from 52WL (%)	1.6
Beta	0.7
Mkt. Cap (Rs.Cr)	46,628
Enterprise Value(Rs. Cr)	50,614

## Fiscal Year Ended (Standalone)

	FY13	FY14	FY15
<b>Total revenue (Rs.cr)</b>	8,279	10,173	11,345
<b>Net Profit (Rs.cr)</b>	1,545	1,388	1,181
<b>Share Capital (Rs.Cr)</b>	161	161	161
<b>EPS (Rs.)</b>	18.1	15.5	14.7
<b>P/E (x)</b>	21.0	24.7	51.4
<b>P/BV (x)</b>	3.4	3.0	5.2
<b>ROE (%)</b>	17.4	13.0	10.5

## One year Price Chart



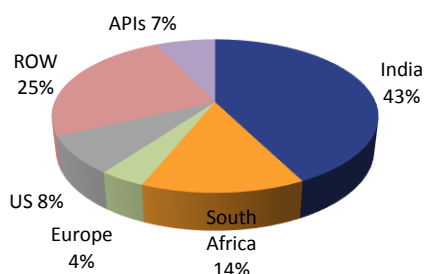
Shareholding	Sep15	Jun15	Diff.
<b>Promoters</b>	36.8	36.8	0.0
<b>DII</b>	11.7	16.0	(4.3)
<b>FII</b>	22.5	18.3	4.2
<b>Others</b>	29.0	28.9	0.1

*Cipla is a major manufacturer of pMDIs (Metered dose inhalers) in the world.*

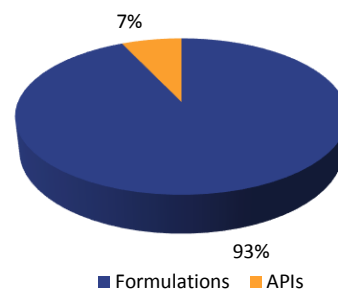
## Cipla Ltd: Business Overview

Cipla Ltd. offers a wide range of products in top therapies including respiratory, anti-infectives, cardiac, gastroenterology and urology. The company has 34 manufacturing facilities in different locations. Cipla derives 57% of its total revenue from exports and 43% from domestic business. The formulations business accounts for 93% and APIs account for the remaining 7% of the total revenue. In the domestic market, chronic and acute therapies contribute 53% and 47% respectively. Cipla is one of the prominent manufacturers of pMDIs (Metered dose inhalers) in the world with a broad-based portfolio of inhalation products including more than 27 molecules across a range of devices.

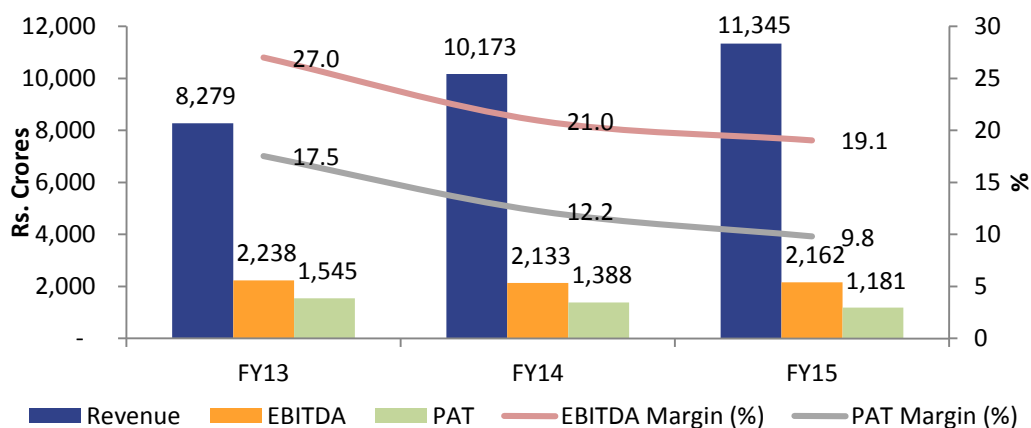
### Geography wise revenue breakup (FY15)



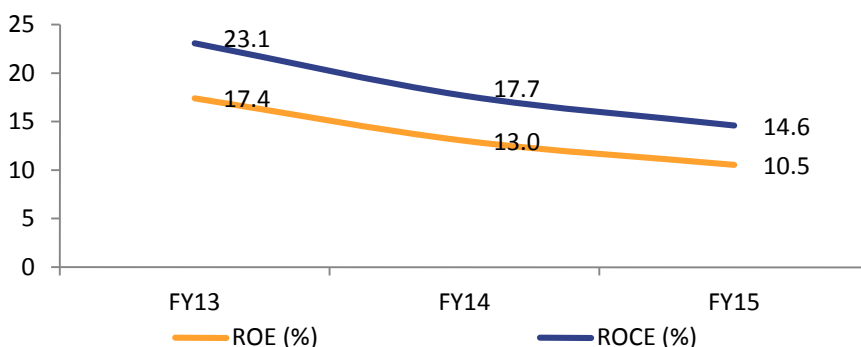
### Business break-up



### Financial snapshot of Cipla



### Return Ratios Trend



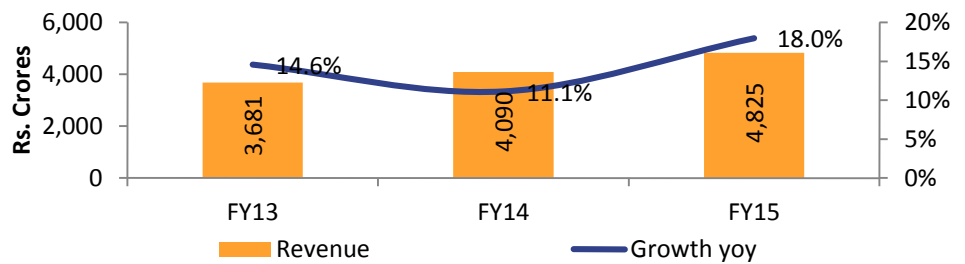
Indian business contributes 43% to Cipla's revenues with 5.27% market share in branded generics and key therapies such as respiratory and anti-viral.

## Domestic business of Cipla

Cipla is one of the key players in the domestic formulation market and its Indian business contributes 43% to overall revenues with 5.27% market share in branded generics with key therapies such as respiratory and anti-viral. During FY15, the company posted a growth of 20% compared to industry growth of 12% and the company launched the generic drug of sofosbuvir for the treatment of hepatitis-C.

Cipla is among the few innovators for inhalation therapy in India and its respiratory products are available in over 100 countries with largest portfolio of products to suit individual patient needs. The company's respiratory business is around USD 300-350 mn p.a. During H1FY16, the company reported a muted growth of 5% in domestic business.

Domestic business has grown at a CAGR of 14.5% over FY13-15



## Cipla gains scale in the US generics market through InvaGen acquisition

North America contributed 8% of total revenue in FY15 with a growth of 20% YoY. The company has transformed its business model from partner based to own front end during past two years. In the US, Cipla has a robust product pipeline of 147 ANDAs, out of which, 79 are approved.

Cipla (EU) Ltd. has entered into an agreement to acquire two US based companies, InvaGen Pharmaceuticals and Exelan Pharmaceuticals Inc. InvaGen was incorporated in the year 2003 and is engaged in the business of development, manufacturing, marketing and distribution of generic pharmaceuticals with focus on a wide range of therapeutic areas including cardiovascular, anti-infective, CNS, anti-inflammatory, anti-diabetic and anti-depressants. Exelan was incorporated in the year 2011 and is engaged in the business of sales and marketing of generic pharmaceuticals for the government and institutional markets.

InvaGen currently has 40 approved ANDAs (32 commercialized) and a pipeline of 30 pending ANDAs (including 5 FTFs). After the acquisition, the company's ANDAs pending for approval with the USFDA stand at more than 100 with key complex generics in InvaGen portfolio.

Acquired Companies revenue trend

Revenue (USD mn)	CY12	CY13	CY14	CAGR CY12-14
InvaGen	130	135	190	21%
Exelan	2	14	28	274%
<b>Total</b>	<b>132</b>	<b>149</b>	<b>218</b>	<b>29%</b>

Cipla (EU) Ltd. has entered into an agreement to acquire two US based companies, InvaGen Pharmaceuticals and Exelan Pharmaceuticals Inc.

*Cipla is one of the major pharmaceutical companies in South Africa with a market share of more than 5% and it contributes 14% to the total revenues.*

*International business contributed 25% to the company's top-line in FY15 growing by 9%.*

*During FY15, the company has added more than 70 new products to the pipeline.*

## South Africa: Robust private business

Cipla is one of the prominent pharmaceutical companies in South Africa with market share of more than 5% and it contributes 14% to the total revenues. South African business revenue has grown at 9%p.a. in the private market (Medpro's 73% of revenues) over the last 3 years. The manufacturing facility in Durban generated a profit in FY15 as compared to a loss in FY14. Further during FY15, Medpro Pharmaceuticals Pvt. Ltd (Subsidiary of Cipla Medpro) entered into sales and distribution agreement with Teva Pharmaceuticals Ltd. to focus on the oncology, central nervous system, women's health, cardiovascular and other specialty therapies.

## Europe: gSereotide MDI launch

Europe (20 countries) accounts for 4% of revenues and posted a de-growth of 24% in FY15 driven by one-off event (supply related issue). Further, the company has launched combination inhalers in Europe. Moreover, Cipla is focused on adding innovative elements to its products and currently it has more than seven different inhaler products in a single market.

## International (Rest of the World) business operations

International markets include all export markets excluding North America, South Africa and Europe with 180 global partners across 120 countries. Cipla has presence in Africa, Middle East, Latin America, China and Russia. International business contributed 25% to the top-line in FY15 growing by 9%. The company changed its business model in a few regions and adopted direct- to-market approach.

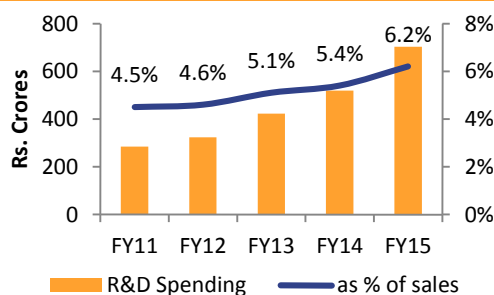
## APIs business revenues declining due to rise in captive consumption

Cipla manufactures APIs (Active Pharmaceutical Ingredients) for more than 300 partners globally with major contribution from the ARVs, gastroenterology, respiratory, neurology and oncology segments. During FY15, the company has added more than 70 new products to the pipeline expanding reach across key therapies. APIs revenue contributed 7% to total revenues in FY15 and posted de-growth of 18%.

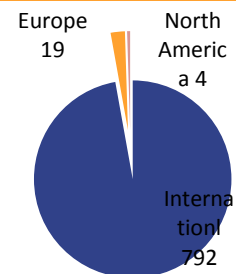
## R&D spend on the rise

The company has expanded applications across multiple technology platforms including implants, microspheres, nanotechnology, preservative free ophthalmic and nasal sprays. Currently, Cipla has more than 200 formulation projects in development which indicates a sturdy pipeline.

R&D spending on an uptrend



Total Formulations filings



## Balance Sheet (Consolidated)

(Rs.Cr)	FY13	FY14	FY15
Share Capital	161	161	161
Reserve and surplus	8,858	9,890	10,641
<b>Net Worth</b>	<b>9,019</b>	<b>10,050</b>	<b>10,801</b>
Minority Interest	0	50	180
Total Debt	967	1,228	1,702
Other non-current liabilities	361	419	486
<b>Total Equity &amp; Liabilities</b>	<b>10,347</b>	<b>11,747</b>	<b>13,169</b>
Fixed Assets	3,988	4,445	4,852
Investments	2,532	3,202	3,198
Net current assets	3,356	3,687	4,700
Other non-current assets	470	413	419
<b>Total Assets</b>	<b>10,347</b>	<b>11,747</b>	<b>13,169</b>

## Cash Flow (Consolidated)

Y/E (Rs. Cr)	FY13	FY14	FY15
<b>Net profit/loss before tax &amp; extraordinary items</b>	<b>2,095</b>	<b>1,880</b>	<b>1,654</b>
Net cashflow from operating activities	1,438	(930)	917
Net cash used in investing activities	(2,136)	1,244	(685)
Net cash used from financing activities	751	(266)	165
<b>Net inc/dec in cash and cash equivalents</b>	<b>53</b>	<b>48</b>	<b>397</b>

## Financial performance snapshot

Net sales of the company stood at Rs. 11,345 Crores in FY15, a growth of 11.5% as compared to Rs. 10,173 Crores in FY14. The operating expenses of the company increased by 14.2% YoY to Rs. 9,184 Crores from Rs. 8,040 Crores during the year. The company's EBITDA grew by 1.3% YoY to Rs. 2,162 Crores in FY15 from Rs. 2,133 Crores in FY14. EBITDA margin contracted by 191 bps to 19.1% in FY15 from 21.0% in FY14. Net profit witnessed a decline of 15.0% to Rs. 1,181 Crores in FY15 from Rs. 1,388 Crores in FY14. The net profit margin contracted by 245 bps to 9.8% from 12.2% during the above period.

## Profit & Loss Account (Consolidated)

(Rs.Cr)	FY13	FY14	FY15
<b>Net revenue</b>	<b>8,279</b>	<b>10,173</b>	<b>11,345</b>
Expenses	6,042	8,040	9,184
<b>EBITDA</b>	<b>2,238</b>	<b>2,133</b>	<b>2,162</b>
Depreciation	330	373	505
<b>EBIT</b>	<b>1,907</b>	<b>1,760</b>	<b>1,657</b>
Interest cost	34	146	168
Other Income	128	123	96
<b>Profit Before Tax</b>	<b>2,001</b>	<b>1,738</b>	<b>1,585</b>
Tax	544	463	400
<b>Profit After Tax</b>	<b>1,457</b>	<b>1,274</b>	<b>1,185</b>
Minority Interests	0	16	48
P/L from Associates	(6)	(12)	(25)
<b>Adjusted PAT</b>	<b>1,451</b>	<b>1,246</b>	<b>1,112</b>
E/o income / (Expense)	94	142	69
<b>Net Profit</b>	<b>1,545</b>	<b>1,388</b>	<b>1,181</b>

## Key Ratios (Consolidated)

	FY13	FY14	FY15
EBITDA Margin (%)	27.0	21.0	19.1
EBIT Margin (%)	24.6	18.5	15.5
NPM (%)	17.5	12.2	9.8
ROCE (%)	23.1	17.7	14.6
ROE (%)	17.4	13.0	10.5
EPS (Rs.)	18.1	15.5	14.7
P/E (x)	21.0	24.7	51.4
BVPS(Rs.)	112.3	125.2	134.5
P/BVPS (x)	3.4	3.0	5.2
EV/EBITDA (x)	13.9	14.9	27.0



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