

## Cipla

### Performance Highlights

| Y/E March (₹ cr)  | 3QFY2013     | 2QFY2013     | % chg qoq     | 3QFY2012     | % chg yoy   |
|-------------------|--------------|--------------|---------------|--------------|-------------|
| <b>Net sales</b>  | <b>2,031</b> | <b>2,146</b> | <b>(5.4)</b>  | <b>1,711</b> | <b>18.7</b> |
| Other income      | 93           | 110          | (15.3)        | 77           | 21.7        |
| Gross profit      | 1,233        | 1,357        | (9.1)         | 996          | 23.8        |
| Operating profit  | 453          | 631          | (28.2)        | 345          | 31.3        |
| <b>Net profit</b> | <b>339</b>   | <b>500</b>   | <b>(32.2)</b> | <b>270</b>   | <b>25.5</b> |

Source: Company, Angel Research

For 3QFY2013, Cipla's numbers have come in lower than expected on the bottom-line front, but in-line on the sales front. The net sales and profits for the quarter came in at ₹2,031cr and ₹339cr, registering a growth of 18.7% yoy and 25.5% yoy respectively. However, the major positive highlight of the quarter is the improvement in the OPM, which expanded by 215bp yoy to 22.3% (vs 24.9% expected). For FY2014, the Management has given a revenue growth guidance of 15% yoy, while EBITDA margin is expected to be ~22%. **We recommend a Neutral rating on the stock.**

**Results lower than expectations:** For 3QFY2013, the company reported lower-than-expected numbers on the bottom-line front. The net sales and profits for the quarter came in at ₹2,031cr and ₹339cr, registering a growth of 18.7% yoy and 25.5% yoy respectively. On the profitability front, the gross margin and operating profit margin came in much lower than expectations, at 60.7% and 22.3% respectively. Consequently the net profit came in at ₹339cr, ie lower than expected, mainly on account of the lower-than-expected OPM.

**Outlook and valuation:** For FY2014, the Management has given a revenue growth guidance of around 14% while the EBITDA margin is estimated to be at around 22%. We expect the company's net sales to post a 14.0% CAGR to ₹9,130cr and EPS to record a 23.2% CAGR to ₹21.6 over FY2012–14E. **We recommend a Neutral on the stock.**

#### Key financials (Consolidated)

| Y/E March (₹ cr)  | FY2011       | FY2012       | FY2013E      | FY2014E      |
|-------------------|--------------|--------------|--------------|--------------|
| <b>Net sales</b>  | <b>6,130</b> | <b>7,021</b> | <b>8,151</b> | <b>9,130</b> |
| % chg             | 14.4         | 14.5         | 16.1         | 12.0         |
| <b>Net profit</b> | <b>990</b>   | <b>1,144</b> | <b>1,619</b> | <b>1,736</b> |
| % chg             | 0.4          | 15.6         | 41.5         | 7.3          |
| <b>EPS (₹)</b>    | <b>12.3</b>  | <b>14.3</b>  | <b>20.2</b>  | <b>21.6</b>  |
| EBITDA margin (%) | 18.6         | 23.6         | 25.8         | 24.8         |
| P/E (x)           | 32.8         | 28.4         | 20.1         | 18.7         |
| RoE (%)           | 15.7         | 16.0         | 19.4         | 17.6         |
| RoCE (%)          | 13.1         | 17.5         | 20.8         | 19.1         |
| P/BV (x)          | 4.9          | 4.3          | 3.6          | 3.1          |
| EV/Sales (x)      | 5.3          | 4.6          | 3.9          | 3.3          |
| EV/EBITDA (x)     | 28.6         | 19.3         | 15.0         | 13.5         |

Source: Company, Angel Research

## NEUTRAL

CMP ₹405  
 Target Price -

Investment Period -

#### Stock Info

|                    |                |
|--------------------|----------------|
| Sector             | Pharmaceutical |
| Market Cap (₹ cr)  | 32,485         |
| Net Debt (₹ cr)    | (61)           |
| Beta               | 0.5            |
| 52 Week High / Low | 435/287        |
| Avg. Daily Volume  | 191,978        |
| Face Value (₹)     | 2              |
| BSE Sensex         | 19,640         |
| Nifty              | 5,959          |
| Reuters Code       | CIPL.BO        |
| Bloomberg Code     | CIPLA@IN       |

#### Shareholding Pattern (%)

|                         |      |
|-------------------------|------|
| Promoters               | 36.8 |
| MF / Banks / Indian Fls | 17.8 |
| FII / NRIs / OCBs       | 26.2 |
| Indian Public / Others  | 19.2 |

| Abs. (%) | 3m  | 1yr  | 3yr  |
|----------|-----|------|------|
| Sensex   | 4.4 | 10.9 | 23.4 |
| Cipla    | 2.1 | 14.8 | 30.4 |

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**Exhibit 1: 3QFY2013 ( Standalone) performance**

| Y/E March (₹ cr)                      | 3QFY2013     | 2QFY2013     | % chg qoq     | 3QFY2012     | % chg yoy   | 9MFY2013     | 9MFY2012     | % chg yoy   |
|---------------------------------------|--------------|--------------|---------------|--------------|-------------|--------------|--------------|-------------|
| <b>Net sales</b>                      | <b>2,031</b> | <b>2,146</b> | <b>(5.4)</b>  | <b>1,711</b> | <b>18.7</b> | <b>6,094</b> | <b>4,994</b> | <b>22.0</b> |
| Other income                          | 93.3         | 110.1        | (15.3)        | 76.7         | 21.7        | 297.3        | 227.6        | 30.6        |
| <b>Total income</b>                   | <b>2,124</b> | <b>2,256</b> | <b>(5.9)</b>  | <b>1,788</b> | <b>18.8</b> | <b>6,391</b> | <b>5,221</b> | <b>22.4</b> |
| Gross profit                          | 1233         | 1357         | (9.1)         | 996          | 23.8        | 3775         | 2898         | 30.3        |
| <b>Gross margin</b>                   | <b>60.7</b>  | <b>63.3</b>  |               | <b>58.2</b>  |             | <b>62.0</b>  | <b>58.0</b>  |             |
| Operating profit                      | 453          | 631          | (28.2)        | 345          | 31.3        | 1583         | 1065         | 48.7        |
| <b>OPM (%)</b>                        | <b>22.3</b>  | <b>29.4</b>  |               | <b>20.2</b>  |             | <b>26.0</b>  | <b>21.3</b>  |             |
| Interest                              | 9.3          | 5.4          | 73.5          | 3.2          | 187.0       | 15.8         | 24.4         | (35.4)      |
| Depreciation                          | 78           | 74           | 5.5           | 76           | 3.0         | 225          | 212          | 6.2         |
| PBT                                   | 459          | 662          | (30.6)        | 343          | 33.9        | 1640         | 1056         | 55.2        |
| Provision for taxation                | 120          | 162          | (25.6)        | 73           | 65.4        | 400          | 224          | 78.5        |
| <b>PAT before extra-ordinary item</b> | <b>339</b>   | <b>500</b>   | <b>(32.2)</b> | <b>270</b>   | <b>25.5</b> | <b>1240</b>  | <b>832</b>   | <b>48.9</b> |
| Extra-ordinary items/(income)         | 0            | 0            |               | 0            |             | 0            | 0            |             |
| <b>PAT after extra-ordinary item</b>  | <b>339</b>   | <b>500</b>   | <b>(32.2)</b> | <b>270</b>   | <b>25.5</b> | <b>1240</b>  | <b>832</b>   | <b>48.9</b> |
| <b>EPS (₹)</b>                        | <b>4.2</b>   | <b>6.2</b>   |               | <b>3.4</b>   |             | <b>15.4</b>  | <b>10.4</b>  |             |

Source: Company, Angel Research

**Exhibit 2: 3QFY2013 – Actual vs Angel estimates**

| (₹ cr)            | Actual       | Estimates    | Variance      |
|-------------------|--------------|--------------|---------------|
| <b>Net sales</b>  | <b>2,031</b> | <b>2,024</b> | <b>0.3</b>    |
| Other income      | 93           | 113          | (17.6)        |
| Operating profit  | 453          | 504          | (10.2)        |
| Tax               | 120          | 125          | (4.0)         |
| <b>Net profit</b> | <b>339</b>   | <b>404</b>   | <b>(16.0)</b> |

Source: Company, Angel Research

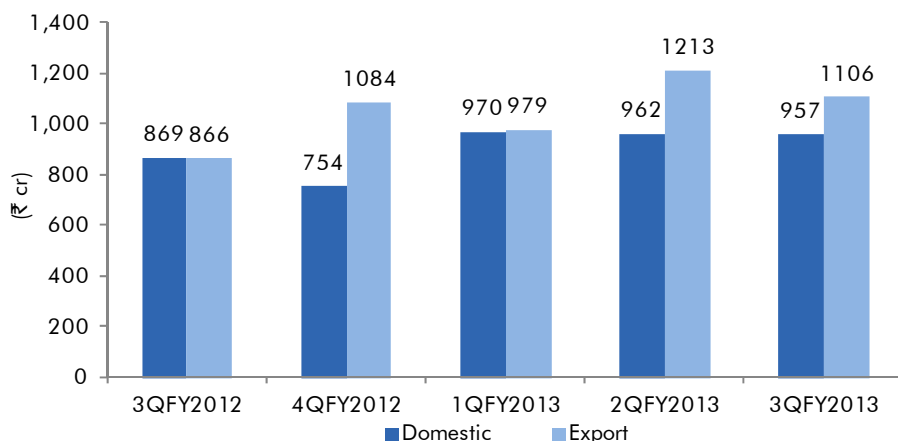
**Top-line growth in line of expectations**

For 3QFY2013, Cipla reported top-line in line with expectations. The net sales came in at ₹2,031cr Vs estimates of ₹2,024cr, registering a growth of 18.7% yoy.

The domestic formulation segment grew by 10.2% yoy to ₹952cr. Overall exports increased by 27.7% yoy to ₹1,106cr, contributing 47.0% to overall sales. The active pharmaceutical ingredient (API) segment reported a 16.3% yoy growth to end the period at ₹137cr. Revenue of the formulation exports segment stood at ₹969cr for the quarter, registering a growth of 38.0% yoy.

Technological know-how and other fees stood at ₹39.8cr (₹46.5cr in 3QFY2012), registering a dip of 14.4% yoy.

**Exhibit 3: Sales trend**

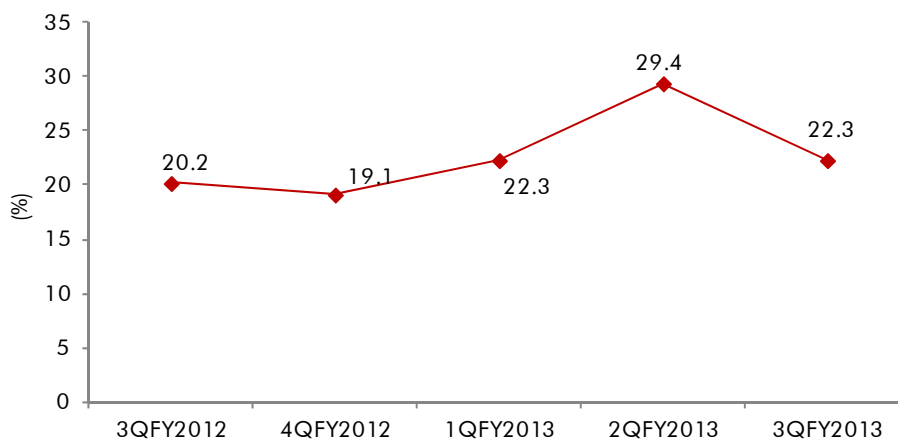


Source: Company, Angel Research

**Improvement in gross and operating profit**

For 3QFY2013, the company’s gross margin expanded by 250bp yoy to 60.7%. This along with a lower rise in other expenditure (which grew by 12.4% yoy) aided the OPM to end the quarter at 22.3% (20.2% in 3QFY2012), an expansion of 215bp. This was much lower than the expected OPM of 24.9%, on back of lower than expected expansion in Gross Margins.

**Exhibit 4: OPM trend**

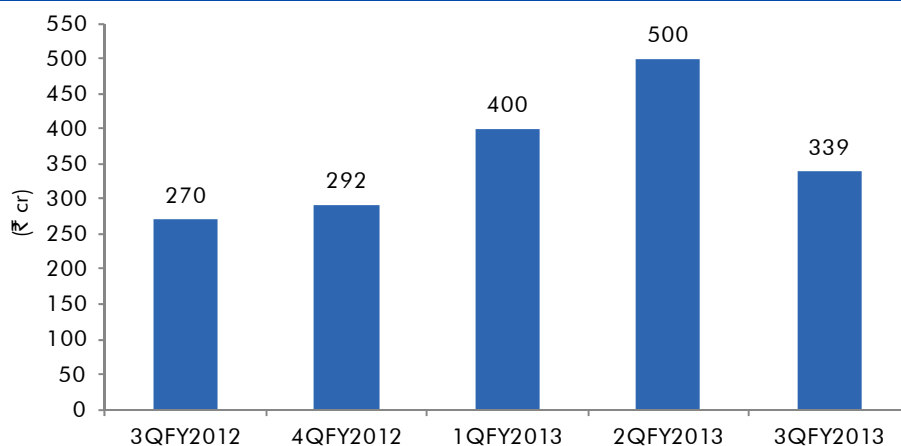


Source: Company, Angel Research

## Net profit much below expectations

For 3QFY2013, the company's net profit came in at ₹339cr, posting a growth of 25.5% yoy. However the net profit was lower than our estimate of ₹404cr. Net profit growth came in lower than our estimates on the back of lower than expected expansion in the OPM.

### Exhibit 5: Net profit trend



Source: Company, Angel Research

## Concall takeaways

- For FY2014, the company has guided for a revenue growth +14% yoy on sales.
- EBDITA margin is expected to be around 22% in FY2014.
- Growth in the domestic market is expected to be around 15% for FY2013. Total MRs is at around 7500.
- The company filed 5 abbreviated new drug applications (ANDAs) in 9MFY2013. Total approved ANDAs stand at 76 while 23 await approval.
- The tax rate has been guided at 24%-25% of PBT in FY2013-2014.

## Recommendation rationale

**Export segment to be the growth driver:** Cipla exports to more than 180 countries, with growth coming through marketing alliances and distribution tie-ups in various markets. Exports contributed 59% to the total turnover of FY2012, with Africa, US and Latin America constituting more than 60% of total exports. In the US, Cipla has entered into a partnership with more than 22 players and has a strong product pipeline of ANDAs, of which 49 have been launched, while 30 are pending for approval. Another long term growth driver for the company is the launch of the CFC-free inhalers in the regulated markets. CFC-free inhalers in Europe and US address a potential market size of more than US\$3bn. The Management has also indicated that it is negotiating with MNCs such as Pfizer, GSK and Boehringer for long-term supply agreements.

**Increasing penetration in the domestic market:** Cipla is one of the largest players in the domestic formulation market, with a market share of around 5%, contributing 41% to the total turnover in FY2012. The company is the market leader in key therapeutic areas such as respiratory care, anti-viral and urological. Cipla's distribution network in India consists of a field force of around 7,500 employees. The company plans to increase its focus on domestic markets with new therapies such as oncology and neuro-psychiatry in the offing. Cipla plans to focus on growing its market share and sales by increasing penetration in the Indian market, especially in rural areas and plans to expand its product portfolio by launching biosimilars, particularly relating to the oncology, anti-asthmatic and anti-arthritis categories.

**Valuation:** For FY2013, Cipla is expected to post upto 15%+ sales growth, while the bottom-line growth is expected to be higher than that. We expect the company to maintain its OPM at 26% (excluding tech fees) for FY2013. We expect the company's net sales to post a 14.0% CAGR to ₹9,130cr and EPS to record a 23.2% CAGR to ₹21.6 over FY2012–14. **The stock is trading at 20.1x and 18.7x FY2013E and FY2014E earnings, respectively. We recommend a Neutral rating on the stock.**

**Exhibit 6: Key assumptions**

| Key assumptions                                  | FY2013E | FY2014E |
|--|---------|---------|
| Domestic growth (%)                              | 16.0    | 16.0    |
| Exports growth (%)                               | 20.8    | 8.7     |
| Growth in employee expenses (%)                  | 19.0    | 12.0    |
| Operating margins (excl tech. know-how fees) (%) | 25.8    | 24.8    |

Source: Company, Angel Research

**Exhibit 7: One-year forward PE band**



Source: Company, Angel Research

**Exhibit 8: Recommendation Summary**

| Company           | Reco           | CMP<br>(₹) | Tgt. price<br>(₹) | Upside<br>% | PE (x)      | FY2014E      |               | FY12-14E        | FY2014E     |             |
|-------------------|----------------|------------|-------------------|-------------|-------------|--------------|---------------|-----------------|-------------|-------------|
|                   |                |            |                   |             |             | EV/Sales (x) | EV/EBITDA (x) | CAGR in EPS (%) | RoCE (%)    | RoE (%)     |
| Alembic Pharma.   | Buy            | 76         | 95                | 25.0        | 8.0         | 0.9          | 5.2           | 17.1            | 29.4        | 30.2        |
| Aurobindo Pharma  | Accumulate     | 192        | 208               | 8.3         | 13.7        | 1.4          | 9.2           | 69.7            | 10.7        | 17.8        |
| Cadila Healthcare | Accumulate     | 840        | 926               | 10.2        | 18.8        | 2.6          | 13.0          | 18.7            | 19.3        | 26.6        |
| <b>Cipla</b>      | <b>Neutral</b> | <b>405</b> | -                 | -           | <b>18.7</b> | <b>3.3</b>   | <b>13.5</b>   | <b>23.2</b>     | <b>19.1</b> | <b>17.6</b> |
| Dr Reddy's        | Neutral        | 1,898      | -                 | -           | 20.4        | 2.8          | 13.4          | 2.3             | 15.1        | 20.8        |
| Dishman Pharma    | Buy            | 105        | 145               | 38.0        | 7.3         | 1.1          | 5.6           | 26.6            | 8.7         | 11.0        |
| GSK Pharma*       | Neutral        | 2,065      | -                 | -           | 25.1        | 4.9          | 15.8          | 8.7             | 38.9        | 29.0        |
| Indoco Remedies   | Buy            | 61         | 78                | 27.9        | 7.8         | 0.9          | 6.0           | 24.8            | 14.6        | 15.6        |
| Ipca labs         | Accumulate     | 482        | 559               | 15.9        | 12.9        | 1.9          | 9.3           | 30.6            | 25.7        | 26.4        |
| Lupin             | Accumulate     | 597        | 655               | 9.7         | 19.0        | 2.7          | 12.4          | 27.2            | 24.9        | 25.2        |
| Ranbaxy*          | Neutral        | 436        | -                 | -           | 13.6        | 1.5          | 9.4           | 50.3            | 29.7        | 16.1        |
| Sanofi India*     | Neutral        | 2,270      | -                 | -           | 25.9        | 2.8          | 17.1          | 2.7             | 12.5        | 14.8        |
| Sun Pharma        | Neutral        | 747        | -                 | -           | 25.7        | 5.6          | 13.1          | 0.1             | 27.0        | 19.1        |

Source: Company, Angel Research; Note: \* December year ending

### Company Background

Cipla is a leading pharma company in India with a strong presence in both, the export and domestic markets. On the export front, where it follows the partnership model, it has 5,700 product registrations in around 180 countries. Cipla is a market leader in the domestic formulation market with over 5% market share. Cipla is likely to continue on the growth trajectory owing to its entry into the inhalers market in the EU and potential new long-term manufacturing contracts with Global Innovators.

**Profit & loss statement (Consolidated)**

| Y/E March (₹ cr)                | FY2009       | FY2010       | FY2011       | FY2012       | FY2013E      | FY2014E      |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Gross sales                     | 5,022        | 5,410        | 6,180        | 7,129        | 8,188        | 9,174        |
| Less: Excise duty               | 61.0         | 52.2         | 49.5         | 108.1        | 37.3         | 43.2         |
| Net sales                       | 4,961        | 5,358        | 6,130        | 7,021        | 8,151        | 9,130        |
| Other operating income          | 276          | 265          | 217          | 140          | 226          | 240          |
| <b>Total operating income</b>   | <b>5,236</b> | <b>5,623</b> | <b>6,347</b> | <b>7,160</b> | <b>8,377</b> | <b>9,370</b> |
| % chg                           | 24.2         | 7.4          | 12.9         | 12.8         | 17.0         | 11.9         |
| Total expenditure               | 4,013        | 4,292        | 4,993        | 5,362        | 6,045        | 6,863        |
| Net raw materials               | 2,347        | 2,453        | 2,747        | 2,739        | 3,256        | 3,739        |
| Other mfg costs                 | 439          | 445          | 635          | 705          | 648          | 725          |
| Personnel                       | 271          | 319          | 489          | 547          | 651          | 729          |
| Other                           | 955          | 1,075        | 1,121        | 1,370        | 1,490        | 1,670        |
| <b>EBITDA</b>                   | <b>948</b>   | <b>1,066</b> | <b>1,138</b> | <b>1,659</b> | <b>2,106</b> | <b>2,268</b> |
| (% of Net Sales)                | 19.1         | 19.9         | 18.6         | 23.6         | 25.8         | 24.8         |
| Depreciation & amortisation     | 152          | 167          | 254          | 312          | 312          | 343          |
| Interest & other charges        | 33           | 23           | 17           | 38           | 34           | 34           |
| Other Income                    | 90           | 88           | 79           | -            | 144          | 154          |
| <b>Recurring PBT</b>            | <b>1,129</b> | <b>1,230</b> | <b>1,162</b> | <b>1,448</b> | <b>2,130</b> | <b>2,284</b> |
| % chg                           | 34.7         | 8.9          | (5.5)        | 24.5         | 47.1         | 7.3          |
| Extraordinary expense/(Inc.)    | 233.3        | (95.0)       | -            | -            | -            | -            |
| <b>PBT (reported)</b>           | <b>895</b>   | <b>1,325</b> | <b>1,162</b> | <b>1,448</b> | <b>2,130</b> | <b>2,284</b> |
| Tax                             | 124.5        | 243.5        | 195.2        | 306.5        | 511.1        | 548.2        |
| (% of PBT)                      | 13.9         | 18.4         | 16.8         | 21.2         | 24.0         | 24.0         |
| <b>PAT (reported)</b>           | <b>771</b>   | <b>1,081</b> | <b>967</b>   | <b>1,141</b> | <b>1,619</b> | <b>1,736</b> |
| Add: Share of earnings of asso. | -            | -            | 22           | 3            | -            | -            |
| Less: Minority interest (MI)    | -            | -            | -            | -            | -            | -            |
| Prior period items              | -            | -            | -            | -            | -            | -            |
| <b>PAT after MI (reported)</b>  | <b>771</b>   | <b>1,081</b> | <b>990</b>   | <b>1,144</b> | <b>1,619</b> | <b>1,736</b> |
| <b>ADJ. PAT</b>                 | <b>1,004</b> | <b>986</b>   | <b>990</b>   | <b>1,144</b> | <b>1,619</b> | <b>1,736</b> |
| % chg                           | 43.3         | (1.8)        | 0.4          | 15.6         | 41.5         | 7.3          |
| (% of Net Sales)                | 15.5         | 20.2         | 16.1         | 16.3         | 19.9         | 19.0         |
| <b>Basic EPS (₹)</b>            | <b>9.9</b>   | <b>12.3</b>  | <b>12.3</b>  | <b>14.3</b>  | <b>20.2</b>  | <b>21.6</b>  |
| <b>Fully Diluted EPS (₹)</b>    | <b>9.9</b>   | <b>12.3</b>  | <b>12.3</b>  | <b>14.3</b>  | <b>20.2</b>  | <b>21.6</b>  |
| % chg                           | 9.9          | 23.8         | 0.4          | 15.6         | 41.5         | 7.3          |

**Balance sheet (Consolidated)**

| Y/E March (₹ cr)                | FY2009       | FY2010       | FY2011       | FY2012       | FY2013E      | FY2014E       |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|
| <b>SOURCES OF FUNDS</b>         |              |              |              |              |              |               |
| Equity share capital            | 155          | 161          | 161          | 161          | 161          | 161           |
| Reserves & surplus              | 4,192        | 5,750        | 6,506        | 7,478        | 8,910        | 10,460        |
| <b>Shareholders funds</b>       | <b>4,349</b> | <b>5,911</b> | <b>6,667</b> | <b>7,641</b> | <b>9,074</b> | <b>10,624</b> |
| Minority interest               | -            | -            | -            | -            | -            | -             |
| Total loans                     | 940.2        | 5.1          | 541.0        | 29.2         | 29.2         | 29.2          |
| Long Term Provisions            |              |              | 0.9          | 31.5         | 31.5         | 31.5          |
| Deferred tax liability          | 163.2        | 179.2        | 213.1        | 233.2        | 233.2        | 233.2         |
| <b>Total liabilities</b>        | <b>5,452</b> | <b>6,095</b> | <b>7,422</b> | <b>7,935</b> | <b>9,368</b> | <b>10,919</b> |
| <b>APPLICATION OF FUNDS</b>     |              |              |              |              |              |               |
| Gross block                     | 2,693        | 2,897        | 4,246        | 4,632        | 5,040        | 5,540         |
| Less: acc. depreciation         | 701          | 886          | 1,147        | 1,411        | 1,723        | 2,066         |
| <b>Net block</b>                | <b>1,992</b> | <b>2,011</b> | <b>3,100</b> | <b>3,221</b> | <b>3,317</b> | <b>3,474</b>  |
| <b>Capital work-in-progress</b> | <b>366</b>   | <b>684</b>   | <b>285</b>   | <b>371</b>   | <b>371</b>   | <b>371</b>    |
| Goodwill                        |              |              |              |              |              |               |
| <b>Investments</b>              | <b>80</b>    | <b>246</b>   | <b>590</b>   | <b>1,269</b> | <b>1,269</b> | <b>1,269</b>  |
| Long Term Loans and Adv.        |              |              | 402          | 361          | 408          | 457           |
| Current assets                  | 4,418        | 4,367        | 4,221        | 4,130        | 5,470        | 6,991         |
| Cash                            | 53           | 62           | 96           | 90           | 702          | 1,650         |
| Loans & advances                | 1,113        | 1,226        | 1,162        | 1,464        | 1,752        | 1,963         |
| Others                          | 3,251        | 3,079        | 2,963        | 2,576        | 3,016        | 3,378         |
| Current liabilities             | 1,405        | 1,214        | 1,175        | 1,417        | 1,467        | 1,643         |
| <b>Net current assets</b>       | <b>3,013</b> | <b>3,153</b> | <b>3,045</b> | <b>2,713</b> | <b>4,003</b> | <b>5,348</b>  |
| Mis. Exp. not written off       | -            | -            | -            | -            | -            | -             |
| <b>Total assets</b>             | <b>5,452</b> | <b>6,095</b> | <b>7,422</b> | <b>7,935</b> | <b>9,368</b> | <b>10,919</b> |



**Cash flow statement (Consolidated)**

| Y/E March (₹ cr)                 | FY2009       | FY2010       | FY2011         | FY2012         | FY2013E      | FY2014E      |
|----------------------------------|--------------|--------------|----------------|----------------|--------------|--------------|
| Profit before tax                | 895          | 1,325        | 1,162          | 1,448          | 2,130        | 2,284        |
| Depreciation                     | 152          | 167          | 254            | 312            | 312          | 343          |
| (Inc)/Dec in WC                  | (583)        | (131)        | (260)          | 327            | (679)        | (397)        |
| Direct taxes paid                | 65           | 256          | 301            | 275            | 524          | 582          |
| <b>Cash Flow from Operations</b> | <b>400</b>   | <b>1,105</b> | <b>856</b>     | <b>1,812</b>   | <b>1,239</b> | <b>1,648</b> |
| (Inc.)/Dec.in Fixed Assets       | (625)        | (522)        | (950)          | (472)          | (408)        | (500)        |
| (Inc.)/Dec. in Investments       | 13           | (166)        | (344)          | (678)          | -            | -            |
| Other income                     | -            | -            | -              | -              | -            | -            |
| <b>Cash Flow from Investing</b>  | <b>(612)</b> | <b>(688)</b> | <b>(1,294)</b> | <b>(1,150)</b> | <b>(408)</b> | <b>(500)</b> |
| Issue of Equity                  | -            | 669          | -              | -              | -            | -            |
| Inc./Dec.) in loans              | 395          | (935)        | 536            | (512)          | -            | -            |
| Dividend Paid (Incl. Tax)        | (155)        | (155)        | (225)          | (187)          | (187)        | (187)        |
| Others                           | (54)         | 13           | 57             | 31             | (33)         | (14)         |
| <b>Cash Flow from Financing</b>  | <b>186</b>   | <b>(408)</b> | <b>368</b>     | <b>(668)</b>   | <b>(219)</b> | <b>(200)</b> |
| Inc./Dec.) in Cash               | (26)         | 9            | (71)           | (6)            | 612          | 948          |
| <b>Opening Cash balances</b>     | <b>80</b>    | <b>53</b>    | <b>62</b>      | <b>96</b>      | <b>90</b>    | <b>702</b>   |
| <b>Closing Cash balances</b>     | <b>53</b>    | <b>62</b>    | <b>96</b>      | <b>90</b>      | <b>702</b>   | <b>1,650</b> |

**Key Ratio**

| Y/E March                    | FY2009 | FY2010 | FY2011 | FY2012 | FY2013E | FY2014E |
|------------------------------|--------|--------|--------|--------|---------|---------|
| <b>Valuation Ratio (x)</b>   |        |        |        |        |         |         |
| P/E (on FDEPS)               | 40.8   | 32.9   | 32.8   | 28.4   | 20.1    | 18.7    |
| P/CEPS                       | 34.1   | 26.0   | 26.1   | 22.3   | 16.8    | 15.6    |
| P/BV                         | 7.2    | 5.5    | 4.9    | 4.3    | 3.6     | 3.1     |
| Dividend yield (%)           | 0.5    | 0.5    | 0.7    | 0.7    | 1.0     | 1.1     |
| EV/Sales                     | 6.5    | 6.1    | 5.3    | 4.6    | 3.9     | 3.3     |
| EV/EBITDA                    | 34.1   | 30.4   | 28.6   | 19.3   | 14.9    | 13.4    |
| EV / Total Assets            | 5.9    | 5.3    | 4.4    | 4.0    | 3.4     | 2.8     |
| <b>Per Share Data (₹)</b>    |        |        |        |        |         |         |
| EPS (Basic)                  | 9.9    | 12.3   | 12.3   | 14.3   | 20.2    | 21.6    |
| EPS (fully diluted)          | 9.9    | 12.3   | 12.3   | 14.3   | 20.2    | 21.6    |
| Cash EPS                     | 11.9   | 15.5   | 15.5   | 18.1   | 24.0    | 25.9    |
| DPS                          | 2.0    | 2.0    | 2.8    | 3.0    | 4.0     | 4.3     |
| Book Value                   | 55.9   | 73.6   | 83.0   | 95.2   | 113.0   | 132.3   |
| <b>Dupont Analysis</b>       |        |        |        |        |         |         |
| EBIT margin                  | 16.1   | 16.8   | 14.4   | 19.2   | 22.0    | 21.1    |
| Tax retention ratio          | 86.1   | 81.6   | 83.2   | 78.8   | 76.0    | 76.0    |
| Asset turnover (x)           | 1.1    | 1.0    | 1.0    | 0.9    | 1.0     | 1.0     |
| ROIC (Post-tax)              | 14.8   | 13.5   | 11.4   | 14.3   | 17.0    | 16.7    |
| Cost of Debt (Post Tax)      | 3.8    | 4.0    | 5.3    | 10.6   | 89.4    | 89.4    |
| Leverage (x)                 | 0.2    | 0.1    | 0.0    | 0.0    | (0.0)   | 0.0     |
| Operating ROE                | 16.6   | 14.4   | 11.6   | 14.4   | 20.0    | 16.7    |
| <b>Returns (%)</b>           |        |        |        |        |         |         |
| ROCE (Pre-tax)               | 16.1   | 15.6   | 13.1   | 17.5   | 20.7    | 19.0    |
| Angel ROIC (Pre-tax)         | 17.4   | 17.3   | 14.3   | 18.6   | 22.8    | 22.4    |
| ROE                          | 24.8   | 19.2   | 15.7   | 16.0   | 19.4    | 17.6    |
| <b>Turnover ratios (x)</b>   |        |        |        |        |         |         |
| Asset Turnover (Gross Block) | 2.1    | 2.0    | 1.8    | 1.6    | 1.7     | 1.8     |
| Inventory / Sales (days)     | 88     | 94     | 98     | 102    | 101     | 49      |
| Receivables (days)           | 114    | 111    | 88     | 81     | 81      | 40      |
| Payables (days)              | 45     | 54     | 59     | 57     | 55      | 26      |
| WC cycle (ex-cash) (days)    | 186    | 196    | 174    | 142    | 129     | 136     |
| <b>Solvency ratios (x)</b>   |        |        |        |        |         |         |
| Net debt to equity           | 0.2    | (0.01) | 0.1    | (0.0)  | (0.1)   | (0.2)   |
| Net debt to EBITDA           | 0.9    | (0.1)  | 0.4    | (0.0)  | (0.3)   | (0.7)   |
| Int. Coverage (EBIT / Int.)  | 24.2   | 39.2   | -      | -      | -       | -       |

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### Disclosure of Interest Statement

| Disclosure of Interest Statement                                   | Cipla |
|--|-------|
| 1. Analyst ownership of the stock                                  | No    |
| 2. Angel and its Group companies ownership of the stock            | No    |
| 3. Angel and its Group companies' Directors ownership of the stock | No    |
| 4. Broking relationship with company covered                       | No    |

Note: We have not considered any Exposure below ₹ 1 lakh for Angel, its Group companies and Directors

|                           |                                     |   |                    |
|---------------------------|-------------------------------------|---|--------------------|
| <b>Ratings (Returns):</b> | Buy (> 15%)<br>Reduce (-5% to -15%) | Accumulate (5% to 15%)<br>Sell (< -15%) | Neutral (-5 to 5%) |
|---------------------------|-------------------------------------|---|--------------------|