# EQUITY RESEARCH REPORT

# Cipla

## LEADING GLOBAL PHARMACEUTICAL COMPANY

# INDEX

Cipla

# OVERVIEW

## "Cipla - Together towards a timeless purpose of Caring For Life"

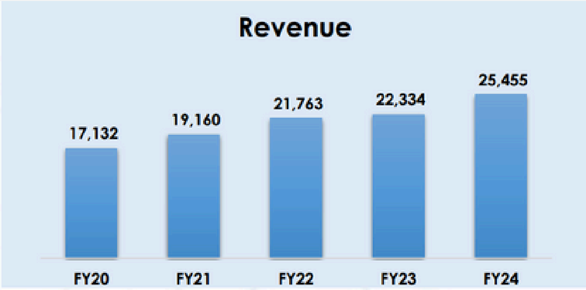
Cipla Limited is a global pharmaceutical company that manufactures and markets a wide range of branded and generic formulations and Active Pharmaceutical Ingredients (APIs). The company has a significant global presence, with operations in India and international markets. Cipla's products include treatments for various therapeutic areas.

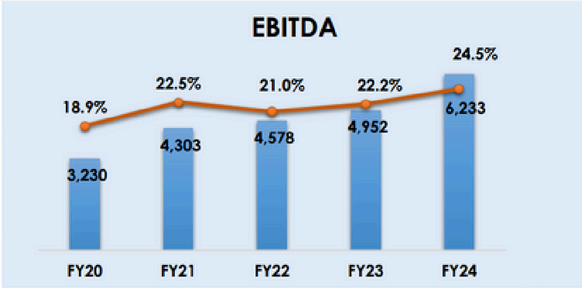
The company is committed to ethical business practices and corporate governance. Cipla aims to create long-term shareholder value through responsible decision-making and a zero-tolerance policy for deviations from ethical standards. The company emphasizes transparency, fairness, and accountability in its dealings with all stakeholders.

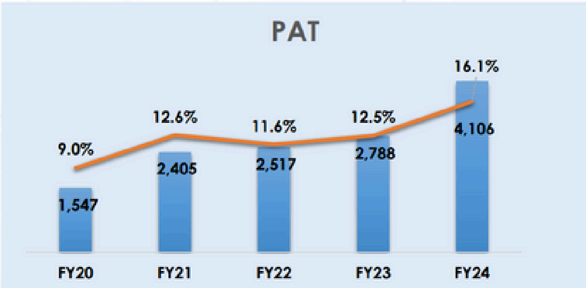
Cipla is also focused on sustainability, effectively managing financial, social, and environmental aspects while ensuring business continuity. The company's commitment to sustainability is reflected in its various initiatives, and it was recognized as one of India's most sustainable companies in 2024. Cipla strives to create a healthier world and enrich the lives of its stakeholders and the community through its Corporate Social Responsibility (CSR) initiatives.

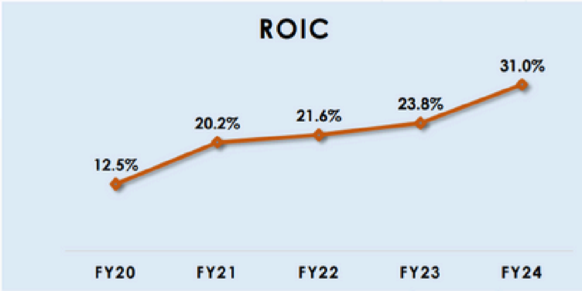
# Cipla

## KEY STATISTICS



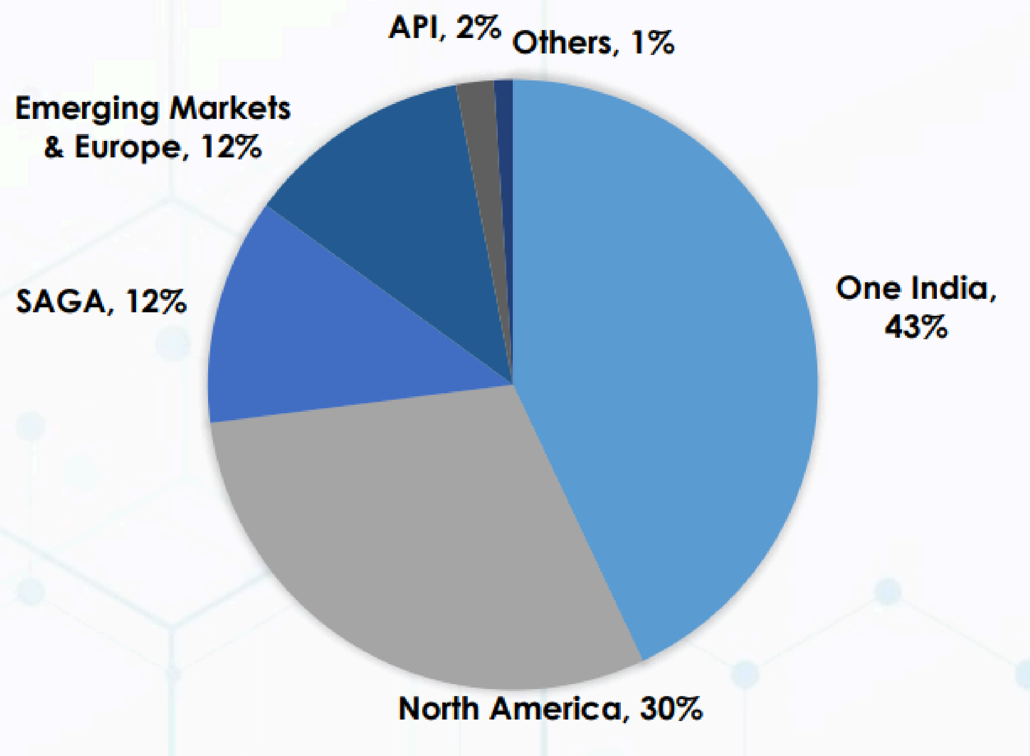




## REVENUE BREAK-UP (FY24)

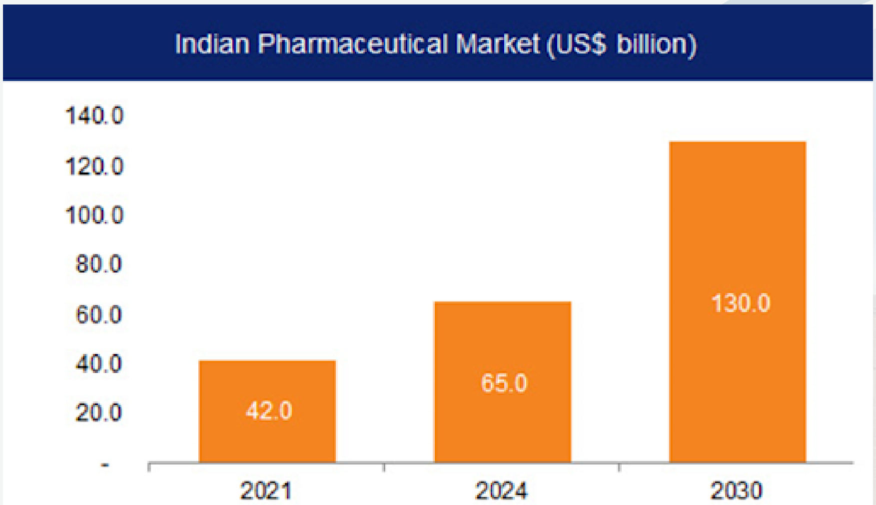
**Revenues** INR 25,455 Cr

### Revenue[1] Break-up



# GROWTH

India is the largest provider of generic drugs globally and is known for its affordable vaccines and generic medications. The Indian Pharmaceutical industry is currently ranked third in pharmaceutical production by volume after evolving over time into a thriving industry growing at a CAGR of 9.43% since the past nine years.




The Indian pharmaceutical industry is expected to reach $55billion in 2025, $130billion by 2030, and $450 billion by 2047. India's Drug and pharmaceutical exports soared from $15.07 billion in 2013-14 to $27.85 billion in FY 2023-24. Ranking third globally in drug and pharmaceutical production by volume, India exports to approximately 200 countries and territories. The top five destinations for these exports are the USA, Belgium, South Africa, the UK, and Brazil.

GDP CONTRIBUTION: The Pharma sector currently contributes to around 1.72% of the country's GDP.

## GOVERNMENT'S CONTRIBUTION FOR THE GROWTH OF PHARMACEUTICAL INDUSTRY:

The Government of India has implemented several initiatives to promote the pharmaceutical sector and boost investment. In September 2020, the government introduced the Production Linked Incentive (PLI) scheme for the pharmaceutical sector under the Self-Reliant India initiative, with a financial outlay of worth Rs.15,000 Crore, and the scheme duration is from 2020-2021 to 2028-29.
The scheme provides financial incentives across three categories:
Category 1 includes bio-pharmaceuticals and patented drugs.
Category 2 covers active pharmaceutical ingredients and drug intermediates.
Category 3 includes various therapeutic drugs and in-vitro diagnostic devices.
Incentives are based on incremental sales, with rates of 10% for FY 2022-23 to FY 2025- 26, 8% for FY 2026-27, and 6% for FY 2027-28 for Categories 1 and 2, and 5%, 4%, and 3% respectively for Category 3.

**In the Interim Budget 2024-25:**

- The government earmarked Rs. 1,000 crore (US$ 120 million) for the promotion of bulk drug parks for FY25, a significant increase from the previous year.
- The total outlay for the development of the pharmaceutical industry for FY25 was increased to Rs. 1,300 crore (US$ 156.5 million) while the budget for the promotion of medical device parks was raised to Rs. 150 crore (US$ 18 million) for FY25.
- The allocation for assistance to medical device clusters for common facilities (AMD-CF) was pegged at Rs. 40 crore (US$ 4.1 million) for FY25.
- The outlay for the Jan Aushadhi scheme, the initiative to provide affordable generic medicines in the country, was hiked to Rs. 284.5 crore (US$ 34 million) for FY25, up from Rs. 110 crore (US$ 13 million) in the revised estimate for FY24.

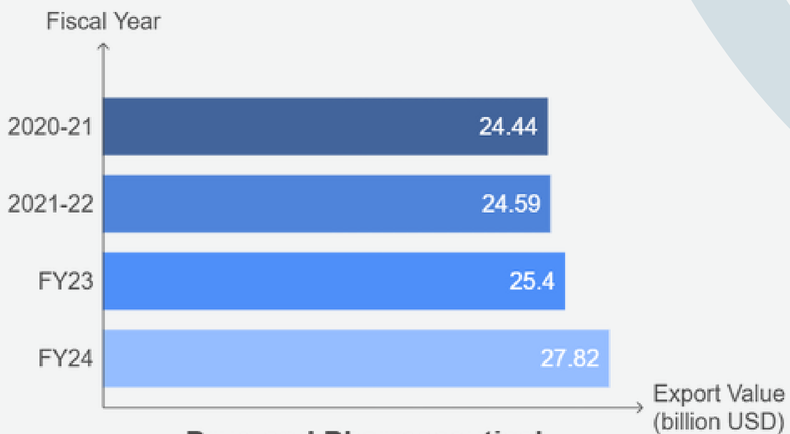
## GROWTH IN THE FOREIGN MARKET:

India's pharmaceutical sector continues to play a critical role in the global market, showcasing robust growth in exports, which have rebounded to pre-pandemic levels with a 9% increase in FY24.

Pharmaceutical is one of the top ten attractive sectors for foreign investment in India. The pharmaceutical exports from India reach more than 200 nations around the world, including highly regulated markets of the USA, West Europe, Japan, and Australia. India supplied around 45 tonnes and 400 million tablets of hydroxychloroquine to around 114 countries globally.

India's exports of Drugs & Pharmaceuticals stood at US$ 27.9 billion during FY24 and US$ 7.2 billion in FY25 (April-June). India is the 12th largest exporter of medical goods in the world. Indian drugs are exported to more than 200 countries in the world, with the US being the key market. Generic drugs account for 20% of the global export in terms of volume, making the country the largest provider of generic medicines globally. Indian drug & pharmaceutical exports stood at US$ 25.36 billion in FY23, US$ 24.60 billion in FY22 and US$ 24.44 billion in FY21.

Indian pharmaceutical companies supply approximately 47% of generic prescriptions in the United States and produce 15% of the world's biosimilars.



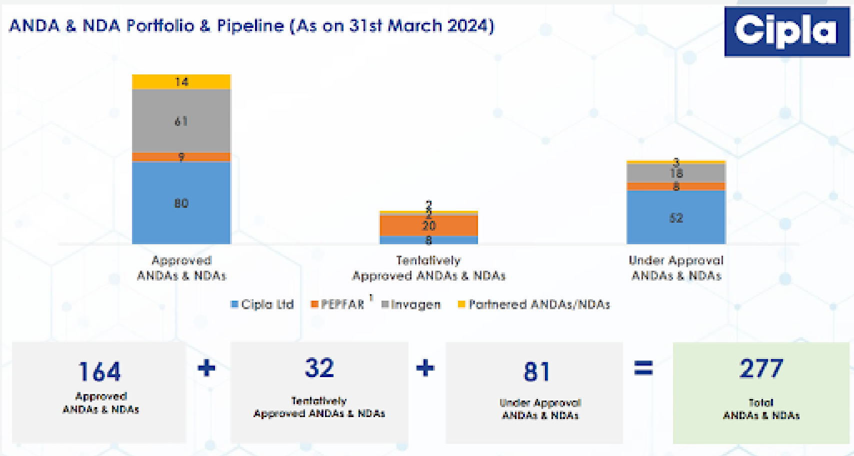

**Drug and Pharmaceutical Exports Over Fiscal Years**

## CATALYSTS:

- **Strategic Vision 2028:** Cipla's Strategic Vision 2028 serves as a comprehensive roadmap for future growth and development. This strategic plan aims to propel the company into a new phase of expansion, driven by innovation, the adoption of new operating models, and a commitment to pioneering patient care. A key objective of this vision is to establish Cipla as the largest consumer healthcare company in both India and South Africa by the fiscal year 2027-28, which will be achieved through the building of leading brands in their respective categories. This vision extends beyond market dominance, encompassing new therapy frontiers such as obesity, the central nervous system (CNS), and oncology. The company plans to reach ₹20,000 crores in revenue by FY 2027-28, impacting 400 million lives in India. This long-term strategic plan is not just about financial targets; it is also designed to guide Cipla's growth, ensuring that the company's resources and efforts are aligned with its purpose of 'Caring for Life'. The Strategic Vision 2028 is the core of Cipla's future direction.

- **Market Leadership in Key Therapeutic Areas:** Cipla has established itself as a leader in several key therapeutic areas, which is a strong catalyst for growth. The company holds a dominant position in respiratory therapies in India, where it is ranked number one. Its brand, Foracort, is the first Cipla brand to be ranked number one in the Indian Pharmaceutical Market (IPM). Beyond respiratory, Cipla is also experiencing rapid growth in other critical areas such as cardiac and urology, consistently outpacing the market. This leadership in key therapies is not limited to India but also extends to other markets, such as South Africa, where Cipla is performing strongly in respiratory, CNS and anti-infectives. This market position not only drives sales but also establishes Cipla as a trusted provider of essential medicines, further solidifying its market leadership. Cipla's ability to secure and maintain these leading positions is a core catalyst that supports its continued growth.

- **Product Development and Innovation:** Cipla's commitment to innovation and product development is a major catalyst for its growth. The company is making significant investments in research and development, particularly in new technologies such as diagnostics, biotech, stem-cell research, gene therapy, CAR-T, and mRNA. This investment has allowed the company to launch 101 products globally in FY 2023-24, including the first approval and launch of Esomeprazole magnesium oral suspension in China. Cipla has also demonstrated its ability to develop complex products by filing ANDAs for complex emergency-use drug-device combinations and lyophilized peptide injection products in regulated markets like the US. This focus on product development and innovation is enabling Cipla to introduce new and advanced treatments that can help improve patient outcomes, thereby driving market growth. By staying at the forefront of scientific advancements, Cipla is ensuring a strong product pipeline that fuels future growth and maintains a competitive edge.




- **Global Expansion and Strategic Partnerships:** Cipla's global reach and strategic partnerships are essential catalysts driving its growth and market diversification. The company provides medicines to 78 markets worldwide. Its Emerging Markets and Europe business generated a total revenue of USD 373 million in FY 2023-24. Cipla has also expanded its market reach through acquisitions, such as Actor Pharma in South Africa. Additionally, the company actively seeks partnerships to enhance its product offerings, such as its collaboration with Sanofi to distribute and promote CNS products in India. Cipla is also partnering with leading generic companies and innovators to expand its presence in Europe, Japan, Korea, and Brazil. These partnerships help expand Cipla's global presence, enhance its product offerings, and also provide access to new markets and technologies, driving growth and ensuring a diverse revenue base.

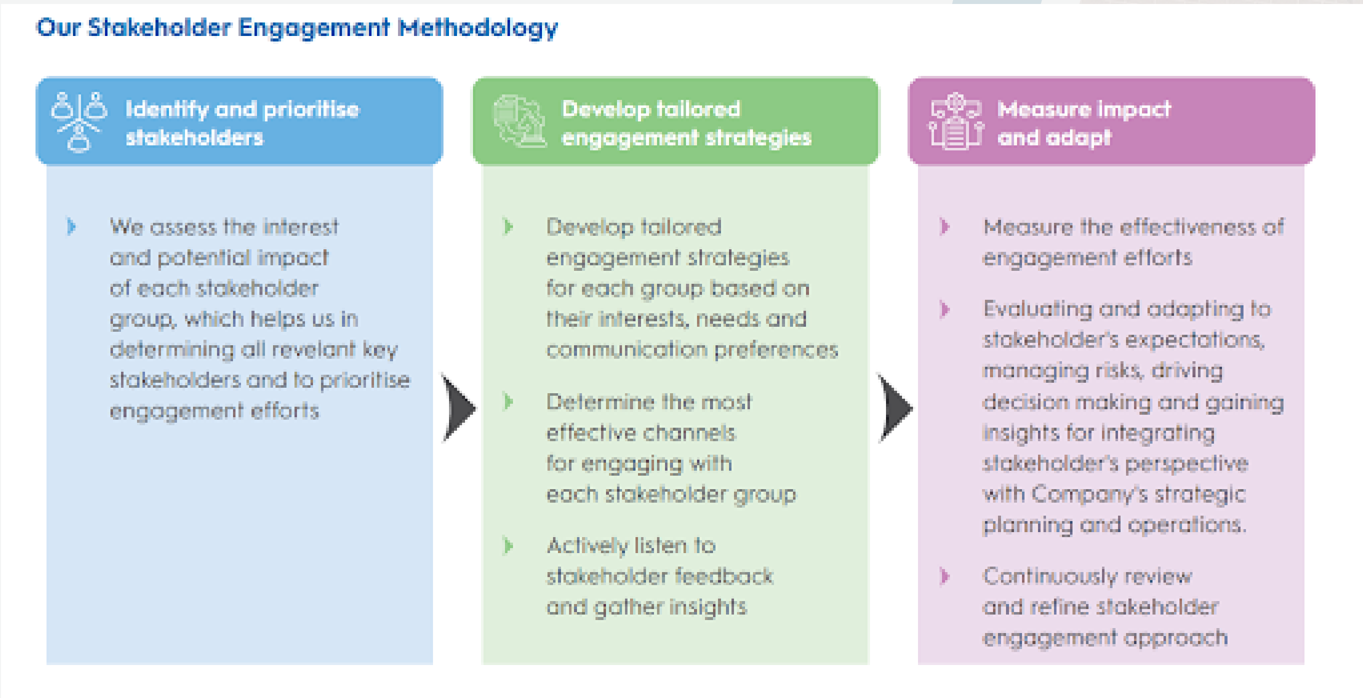
**Business Performance Snapshot**

| | One India | North America | South Africa Private | Emerging Markets & Europe |
|---|---|---|---|---|
| Q4FY24 | INR 2,417 Cr ↑ 7% (YoY) | $ 226 Mn ↑ 11% (YoY) | ZAR 1,276 Mn ↑ 26% (YoY) | $ 100 Mn ↑ 5% (YoY) |
| FY24 | INR 10,865 Cr ↑ 10% (YoY) | $ 906 Mn ↑ 24% (YoY) | ZAR 4,518 Mn ↑ 17% (YoY) | $ 373 Mn |
| | *Delivered highest ever revenue at INR 10,000 Cr+* | *Breached $ 900 Mn mark; 3-year CAGR at 18%* | *Ranked #1 in the prescription market[2]* | *Expansion in profitability* |

- **Operational Efficiency and Digitalization:** Cipla's focus on operational efficiency and digitalization is a critical catalyst for improved performance and cost reduction. The company is investing in automation and digitalization to enhance efficiency across its portfolio selection, manufacturing, supply chain, and quality operations. This includes using a forecast-based manufacturing model and pushing supply chain strategies. Furthermore, Cipla is implementing digital transformation and artificial intelligence to improve efficiency across all levels of the organization. These efforts are geared toward achieving cost optimization through continuous process and yield improvements, as well as streamlining supply chain activities. Cipla's strategic commitment to enhancing efficiency not only supports business profitability but also makes operations more agile and competitive.

- **Focus on Complex Generics and Biosimilars:** Cipla's strategic focus on complex generics, biosimilars, and new therapies is a catalyst for long-term innovation and growth. The company is actively working to strengthen its position in the complex generics segment by launching more complex generic products like LAI and peptides. Furthermore, Cipla is making investments in selective biosimilars, specifically within the respiratory and oncology segments, through licensing or co-development alliances. Cipla has also begun to focus on newer therapies, such as mental health and obesity. By venturing into these areas, Cipla is moving up the innovation curve, offering more advanced treatments, and addressing unmet patient needs.

- **Stakeholder Engagement:** Cipla's approach to stakeholder engagement is a key catalyst for creating a responsive and sustainable business model. The company prioritizes active engagement with a diverse group of stakeholders including patients, healthcare professionals, regulatory bodies, suppliers, and local communities. By actively engaging with stakeholders, Cipla gathers valuable insights and perspectives that help the company better understand and address the socioeconomic and environmental challenges inherent in its operations. This two-way communication allows the company to adapt its products and services to meet the needs of end-users, building trust and collaboration. This focus on stakeholder engagement ensures that Cipla remains responsive to the needs of its customers and partners, creating a strong foundation for long-term success.

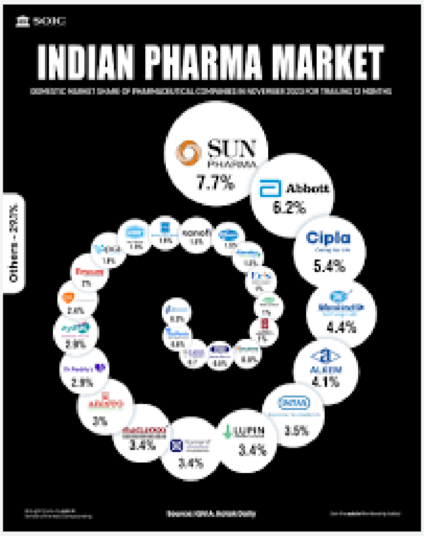


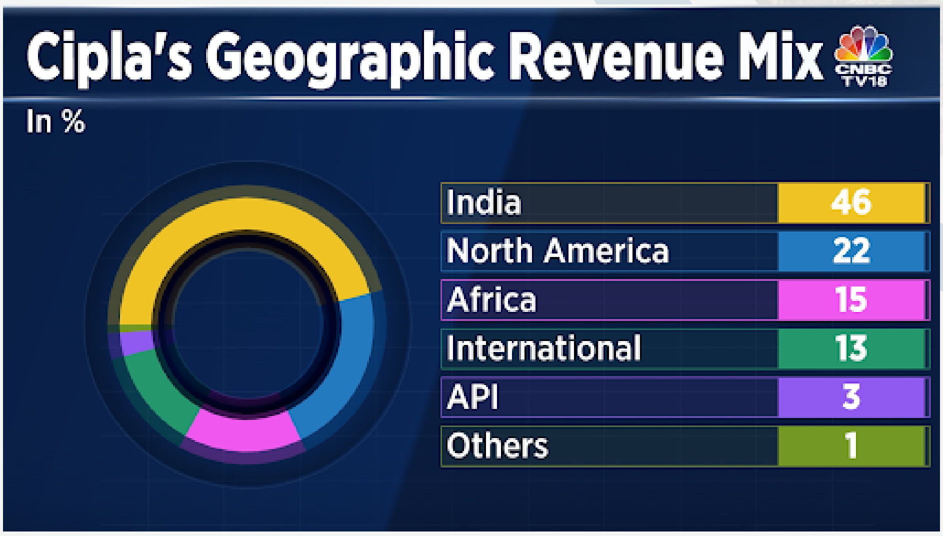
## TOTAL ADDRESSABLE MARKET:

Cipla Ltd. has evolved into one of India's leading pharmaceutical companies, renowned for its commitment to healthcare accessibility and innovation. The company initially focused on producing active pharmaceutical ingredients (APIs) and has since expanded its operations globally, becoming a significant player in the pharmaceutical industry.

It has 34 manufacturing units in 8 locations across India and a presence in over 80 countries. It's key markets are:

- India: Cipla holds a market share of approximately 5.3% and in FY24, it generated a revenue of around INR 97 billion from the Indian market. It has a strong presence in the branded prescription segment and although impacted by soft seasonal demand recently, Cipla's consumer health division is poised for recovery and growth.
- South Africa: Cipla is one of the largest pharmaceutical companies in South Africa by volume and third largest by value. It leads in therapeutic areas such as respiratory care and antiretroviral treatments and has recorded substantial growth of about 26% YoY in local currency terms
- USA: After becoming the first Indian company to receive US FDA Approval, Cipla started its journey in the US markets in 1984 and has established a strong presence since. It reported revenues exceeding INR 20 billion (about $240 million) in FY 2024, with a 15.5% increase in market share driven by key products like Lanreotide and Albuterol. It also features in the top 3 for US generic respiratory sales.



## QUALITY OF TOP MANAGEMENT

**Managing Director & Global Chief Executive Officer:**
**Mr. Umang Vohra**

**Mr Umang Vohra** joined Cipla Limited in 2015 and has been the MD & GCEO of the Company since September 2016. After gaining degrees in engineering, marketing and finance, Mr Vohra worked with Eicher Motors, PepsiCo and Dr Reddy's Laboratories. Through his previous roles in India and the US, he has built a distinguished career spanning almost two decades with deep understanding and experience of various aspects of the global pharmaceutical business.

As **Cipla's MD & GCEO, Mr Vohra's** priorities have been Cipla's strategic growth, defining and executing Cipla's roadmap to maintain momentum in home markets whilst strengthening its presence in other regions, consolidating its core focus areas, augmenting capability, and building the right organisation. Recognised as an action-oriented industry leader, Mr Vohra is a firm believer in the power of agile business models, disruptive technologies, data-driven analytics and a future-ready workforce with a view to making a difference to the lives of patients.

**Non Executive Chairman: Dr. Y.K. Hamied**

**Dr Y K Hamied** is the **Non-Executive Chairman** of the Company. He represents the second generation of Cipla's founding family. Dr Hamied has been an insightful R&D leader, a courageous industry captain, and an outspoken statesman of global pharma. From affordable drugs in HIV to enabling one of the world's largest portfolios of drugs and devices in inhalation therapy, his pioneering work and immense contribution to healthcare have been celebrated around the world.

In 2005, Dr Hamied was conferred the Padma Bhushan by the Government of India for his distinguished service to the pharmaceutical industry. In 2013, he was named as one of India's 25 Greatest Global Living Legends by NDTV, and in 2014, the University of Cambridge honoured him with a DSc the highest honour that the University can bestow.

**Global Chief Financial Officer: Mr. Ashish Adukia**

**Ashish Adukia** joined Cipla as the **Global Chief Financial Officer** at Cipla in August 2022. Also, as a member of Cipla's Management Council, Ashish will be responsible for contributing towards organization-wide projects and initiatives, apart from managing key acquisitions, divestments, and P & L decisions for the company.

Prior to this, he was the CFO and part of the leadership team of Grasim Industries, the flagship company of Aditya Birla Group. After completing his Chartered Accountancy with an MBA in finance from Jamnalal Bajaj Institute of Management Studies (JBIMS), Ashish acquired close to two decades of rich cross-industry experience in investment banking and worked in large Indian conglomerates.

Apart from his stint at Grasim Industries, Ashish has been associated with Morgan Stanley, Citigroup and PwC. He comes with a deep understanding of capital markets and building, and scaling organizations backed by his strong focus on strategy and transformative excellence.

**Global Chief Medical Officer: Dr Jaideep Gogtay**

**Dr. Jaideep A Gogtay** is the **Global Chief Medical Officer** at Cipla and has been associated with Cipla for nearly 30 years.

At Cipla, Dr. Gogtay has been closely involved in the development and introduction of several drugs in various therapeutic fields, particularly in HIV/AIDS, infectious diseases and respiratory diseases. He has worked on several clinical trials in the field of asthma, COPD and infectious diseases. He was a key member of the team which introduced several antiretroviral drugs for the treatment of AIDS including the 1$ a day triple drug cocktail. He was a member of the Association of Physicians of India (Guidelines 2005) on `Antiretroviral therapy'. He has 50 publications to his credit including chapters on Pharmacokinetics and Pharmacodynamics of antibiotics and has presented papers at over 50 conferences.
Dr. Gogtay completed his medical graduation (M.B.B.S) from Grant Medical College and Sir J J Group of Hospitals in Mumbai. He has a M.D degree in Pharmacology from Seth GS Medical College and KEM Hospital.

**Independent Director: Maya Hari**

**Maya Hari** is an Independent Non-Executive Director at Cipla. She holds an MBA from INSEAD, France, and a Master of Science (MS) in Electrical Engineering from Utah State University. She also participated in Harvard Business School's Board Director programs. She currently serves as the CEO of Terrascope, a global Climate-Tech company.

Over two decades, Maya has scaled high-growth businesses at tech giants like Twitter, Samsung, Google & Microsoft across Silicon Valley, and Asia. She spent seven years at Twitter, leading their Asia Pacific and Global Strategy & Operations teams as Managing Director and Vice President. Maya also presently serves as an Independent Director on the boards of Axiata Group, Singlife Holdings, and Infocomm Media Development Authority (IMDA) of Singapore. Her diverse experience includes past board positions at OpenLearning and a Chair role at The Indus Entrepreneurs Singapore.
An active angel investor in sustainability and technology startups, Maya is also a TEDx speaker and serves on the jury of MIT Technology Review's Innovators Under 35 at Emtech Asia.

## Global Head Supply Chain: Sai Mungara

**Sai Mungara** is Global Head of Supply Chain & Procurement at Cipla Limited since April 2024 and is also a member of its Management Council. Sai is an accomplished leader and brings with him 26+ years of global experience and domain expertise in the field of Manufacturing, Supply Chain Management and Operations across diverse industries such as Chemical, IT and Pharmaceuticals. He is highly skilled in Verification and Validation (V&V), Biotechnology, Business Intelligence and Process Engineering.

Previously, he was the Vice President and Head of North America Supply Chain at Cipla. In this role, he contributed significantly to enabling growth trajectory by ramping up and optimizing our third party SCM operations, organization redesign and driving several productivity enhancement projects.

Prior to joining Cipla in 2022, he has also held key leadership positions with top US & Indian Pharmaceutical companies like Dr. Reddy's and Sun Pharma. He has a proven track record of leading large-scale transformations to build future fit supply chain organisations.

## RISK ANALYSIS OF CIPLA'S BUSINESS:

- **Product Quality and Safety**: Cipla operates in a highly regulated industry where product quality and safety are paramount. Any shortcomings in these areas can lead to severe consequences for the company and its stakeholders. To mitigate this risk, Cipla implements robust quality control measures throughout the product lifecycle, including rigorous testing and adherence to global regulatory standards. In FY 2023-24, Cipla conducted 18 voluntary product recalls due to stability failures and market complaints. There were also 11 forced recalls from the India Food and Drug Administration due to notifications of products not meeting quality standards. Cipla acknowledges the threat of counterfeit medicines and takes various steps to combat this issue. They conduct physical and online surveillance to identify and remove counterfeit products, collaborating with e-commerce platforms and external partners.
- **Supply Chain Disruptions**: Cipla's manufacturing process relies on a network of vendors and contract manufacturing organisations (CMOs). Any interruption in supply from these partners, whether due to quality issues, natural disasters, geopolitical events, or other factors, could disrupt production and lead to product shortages. Cipla acknowledges that some materials they procure are sole-sourced. Disruptions faced by these single-source suppliers would have a more pronounced impact on their operations. Cipla's mitigation strategies include alternate vendor development, 360-degree vendor reviews, and proactive management of logistical challenges.
- **Talent Management:** Attracting and retaining highly skilled personnel is crucial for Cipla's success. Failure to do so could impact productivity, strategy execution, and succession planning. To address this, the company focuses on creating a positive work environment, providing professional development opportunities, and implementing robust succession plans
- **Information Security:** As a prominent player in the pharmaceutical industry, Cipla is a target for cyberattacks. Data breaches can lead to financial losses, regulatory penalties, and reputational damage. Recent advancements in artificial intelligence (AI) present new and evolving cybersecurity threats. Cipla is aware of these risks, noting the potential for sophisticated AI-enabled attacks to disrupt its value chain, from manufacturing to distribution. In FY 2023-24, Cipla experienced one reported cybersecurity incident. However, the incident did not lead to a data breach. Cipla implements robust cybersecurity measures, including advanced monitoring and detection systems, threat intelligence gathering, and incident simulation exercises to enhance its

security posture. But in FY 24-25 Cipla has reportedly fallen victim to a cyberattack orchestrated by the Akira ransomware group. The hackers claim to have exfiltrated a staggering 70GB of sensitive data from the multinational company, which operates 47 manufacturing facilities globally and distributes its products across 86 countries. According to the Akira ransomware group's claims, the stolen information includes a wide range of sensitive data:

- Personal medical records with prescribed medications
- Internal financial information
- Customer contacts, including phone numbers and email addresses
- Employee contact details

Akira shared news of the attack on its dark web portal, as reported on X, claiming it managed to steal 70GB of data from Cipla.

- **Climate-Related Risks:** Climate change poses both physical and transitional risks. Physical risks arise from the direct impacts of climate change, such as extreme weather events and gradual changes in climate patterns. Extreme weather events can disrupt operations, while the shift to a lower-carbon economy requires adapting to new policies and technologies. Cipla has conducted climate risk assessments following the TCFD framework, and while it currently faces no immediate high or medium risks, the company is committed to continuously evaluating the changing landscape and developing action plans to address emerging risks.
- **Competition in some geographies and therapies:** Cipla faces pricing and competitive pressures in many global markets. These pressures can limit their ability to increase or maintain product prices, leading to price erosion and impacting profitability. Some specific factors contributing to these pressures include:

1. Government-led price controls
2. Pressure from competitors and major customers
3. Shifts in product prescribing habits of healthcare professionals

Patient preferences driven by competitor innovations and channel availability

In certain geographies and therapy areas, Cipla faces challenges in achieving adequate market penetration or being among the first to launch a product. This can impact their market share and hinder their growth ambitions. The global healthcare landscape is undergoing rapid innovation, driven by advancements in treatment and diagnosis, expanding use of AI, and the emergence of new therapies and technologies. Keeping pace with this rapid innovation and developing competitive products is crucial for Cipla's success

- **Increased Input Costs**: Cipla, like many companies in the global pharmaceutical industry, faces significant risks associated with rising input costs. These risks can impact profitability, hinder growth, and affect the company's ability to deliver affordable medicines.

Sources of Input Cost Increases:

1. Raw Materials: The cost of Active Pharmaceutical Ingredients (APIs), excipients, and packaging materials has been increasing due to various factors, including:
2. Supply Chain Disruptions: Global supply chain disruptions, exacerbated by events like the COVID-19 pandemic, have led to shortages and price volatility for essential raw materials.
3. Geopolitical Instability: Geopolitical conflicts and tensions can disrupt supply chains, increase transportation costs, and impact the availability of raw materials.
4. . Inflation: Global inflation has resulted in broad-based price increases across various industries, including the pharmaceutical sector.
5. Energy Costs: Cipla's manufacturing operations are energy-intensive. Rising energy costs, driven by factors such as geopolitical events and the transition to renewable energy sources, can significantly increase operating expenses.

Rising input costs can squeeze profit margins, making it challenging for Cipla to maintain profitability and invest in future growth

- **Foreign Exchange Volatility:** Cipla operates across multiple geographies, exposing it to foreign exchange rate fluctuations. This volatility can impact earnings and financial performance. Cipla uses derivative financial instruments, such as foreign exchange forward contracts and currency option contracts, to mitigate the risk of changes in exchange rates on foreign currency exposures.

## Peer-to-Peer Comparison

| Indicators | Cipla Ltd. | Sun Pharmaceuticals Industries Ltd. | Mankind Pharma Ltd. | Lupin Ltd. | Aurobindo Pharma Ltd. |
|---|---|---|---|---|---|
| CMP | 1459.00 | 1687.90 | 2333.60 | 1971.00 | 1084.00 |
| P/E Ratio | 25.81 | 38.73 | 56.07 | 37.36 | 18.06 |
| ROCE | 16.79% | 16.69% | 19.71% | 14.14% | 14.10% |
| Debt/Equity Ratio | 0.02 | 0.04 | 0.02 | 0.22 | 0.14 |
| R&D to Sales Ratio | 1.74% | 3.49% | 2.2% | 5.45% | 5.4% |
| Inventory Turnover Ratio | 1.77 | 1.12 | 2.83 | 1.51 | 1.77 |
| EBITDA Margin | 33.51% | 29.85% | 27.97% | 24.31% | 26.67% |
| R&D Expense per New Drug Developed (Rs in Cr) | 15.56 | 47 | 68.2 | 100 | 170 |
| Return On Assets | 13.71% | 12.08% | 16.50% | 8.2% | 7.76% |

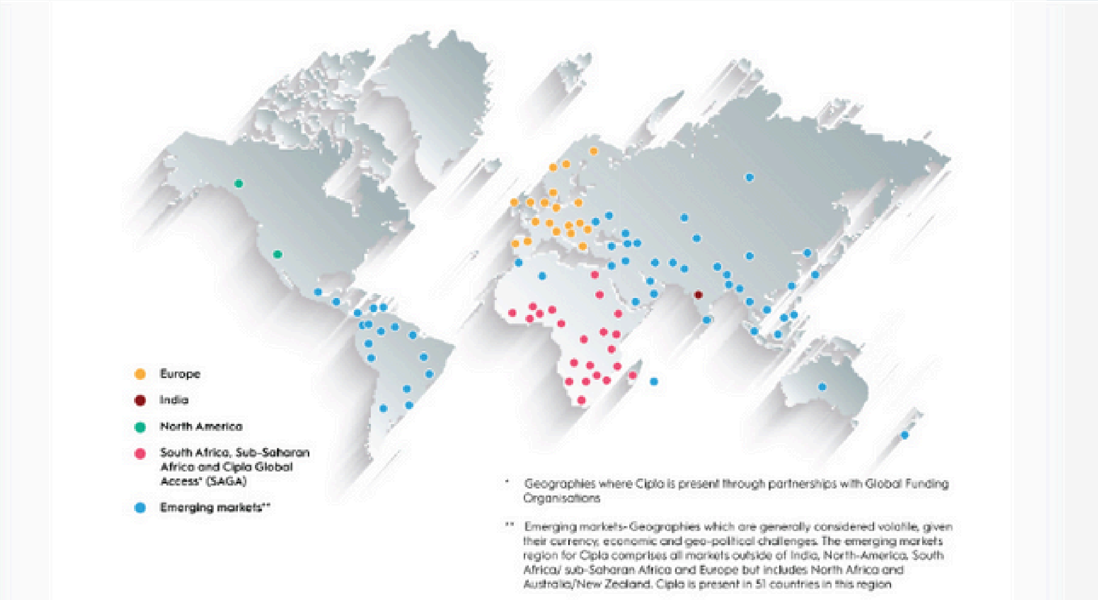
Here are one-line explanations for each metric:

1. **P/E Ratio (Price-to-Earnings Ratio):** Measures how much investors are willing to pay per rupee of earnings, indicating stock valuation.
2. **ROCE (Return on Capital Employed):** Assesses how efficiently a company generates profits from its total capital (debt + equity).
3. **Debt/Equity Ratio:** Indicates a company's financial leverage by comparing total debt to shareholders' equity.
4. **R&D to Sales Ratio**: Shows the percentage of revenue spent on research and development, reflecting innovation investment.
5. **Inventory Turnover Ratio:** Measures how often a company sells and replaces inventory in a given period, indicating operational efficiency.
6. **EBITDA Margin:** Represents earnings before interest, taxes, depreciation, and amortization as a percentage of revenue, showing core profitability.
7. **R&D Expense per New Drug Developed:** Calculates the average research and development cost incurred to bring a single new drug to market.
8. **Return on Assets (ROA):** Evaluates how efficiently a company utilizes its assets to generate profits.

## SWOT ANALYSIS ON CIPLA:

### Strengths

**1. Global Presence-** With activities in more than 100 nations, including the US, Europe, South Africa, and Asia, CIPLA has a significant global footprint. Its worldwide presence reduces the risks associated with changes in the native market.

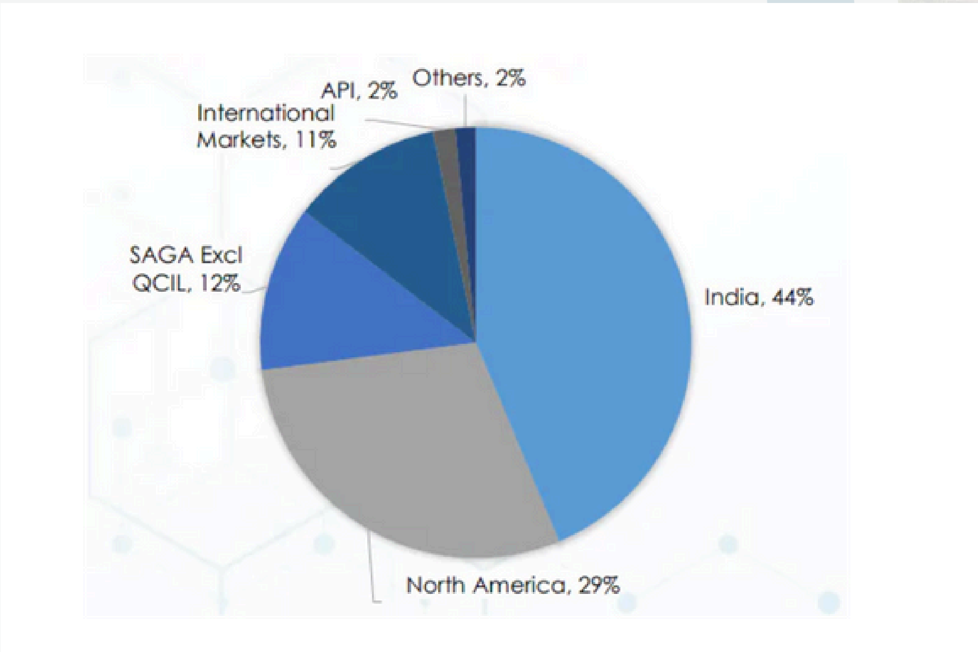



**2. Wide Range of Products-** Cipla's product range spans over 1,500 medications in a variety of therapeutic areas, including respiratory, cardiology, oncology, and dermatology. Diversification helps to lessen dependence on a particular market or product.

**3. Strategic Acquisitions, Partnerships or Products-** Cipla has a track record of making strategic acquisitions including the purchase of Cipla Medpro a South African business and other alliances that broaden its product and market reach.

**Weaknesses**

**1. High dependence on the Indian and North American Market-** Despite its global reach, Cipla still gets a large percentage of its revenue from the Indian and North American market. About 70-75% of its revenue comes from the Indian and North American market. Any bad economic or regulatory changes in these areas may have an influence on the company's financial performance.



**2. Limited Presence in High-Margin Drugs-** While Cipla excels at generics, it has a smaller presence in high-margin novel medications than other pharmaceutical giants such as Novartis or Pfizer. This inhibits the company's ability to increase profit margins through new drug discoveries.

**3. Regulatory Challenges-** Cipla must navigate difficult and evolving regulatory frameworks in a variety of geographies, including demanding FDA (Food and Drug Administration) standards and compliance in established markets such as Europe and the United States. Delayed or rejected drug approvals in certain markets might have a detrimental impact on revenues.

**Opportunities**

**1. Use of AI-** Cipla is utilising AI to boost sales by employing predictive analytics for personalised marketing, optimising supply chains, and expediting drug development. Some examples of the aforementioned integrations are

- Cipla Genie(Vulcan AI) - An AI powered platform created by Cipla which revolutionised the access, analysis and management of document data.
- CipAiR : Created to simplify asthma screening in India also improves consumer engagement through chatbots, provides sales teams with real-time analytics, and allows for faster product releases and greater market access.
- Nico by Nicotex : Personal user interface (UI) created by Nicotex to help people quit smoking, and eventually decrease nicotine intake

**2. Increased Healthcare Awareness-** Growing awareness of health conditions such as asthma, cancer, diabetes, and HIV/AIDS, combined with an expanding middle-class population in emerging nations, will fuel demand for Cipla's products, particularly in the chronic care and respiratory sectors.

**3. U.S. Biosecure Act:** The U.S. Biosecure Act aims to reduce dependency on Chinese pharma supply chains. This presents a significant opportunity for Cipla Ltd., as it can benefit from increased outsourcing and partnerships with U.S. pharma companies looking for alternative suppliers. Cipla's strong manufacturing capabilities and global presence position it well to capture market share as demand shifts towards non-Chinese suppliers. Additionally, the Act could drive higher exports and contract manufacturing opportunities, boosting Cipla's revenue and global footprint

**Threats**

**1. Intense Competition-** Cipla confronts stiff competition from both international and domestic pharmaceutical businesses, particularly in the generic medication market. Major worldwide players like Sandoz (Novartis), Teva, and Mylan all compete for market share in the same therapeutic areas.

**2. Currency Exchange Risks-** Cipla works in various regions and currencies, therefore currency exchange rate swings could have a negative impact on its profits and revenues. This is particularly important considering the company's significant exposure to areas such as the United States, Europe, and South Africa.

**3. Political and Economic Instability-** Cipla's operations in countries with political or economic instability, such as those in Africa or Latin America, may subject the corporation to risks such as price limits, nationalisation, currency devaluation, and supply disruptions.

## BCG Matrix:

- **Stars(High Market Share, High Growth)**

Cipla's peptide segment stands out as having both a high market share and a high growth rate, specifically within the North American market.

High Market Share: The sources highlight the success of Lanreotide, a key product in Cipla's peptide portfolio. Lanreotide achieved a market share of over 20% in North America during FY 2023-24. This indicates Cipla holds a significant portion of the market for this specific peptide product.

High Growth rate: The company's annual report emphasises the substantial growth of Lanreotide's market share, with an increase of approximately 21% by the end of February 2024. This impressive growth rate suggests strong demand and successful market penetration for this product.

The significant market share gains of Lanreotide, coupled with the robust overall revenue growth of Cipla's North American business(USD 906 Million in FY 2023-24), strongly imply that peptides contribute significantly to the company's revenue in this region.

Furthermore, Cipla's strategic focus on expanding its peptide portfolio through internal development, partnerships, and new product launches reinforces the notion that this segment is poised for continued high growth in the foreseeable future.

- **Cash Cows(High Market share, Low growth)**

The Respiratory Segment of Cipla is currently having a high market share but a comparatively low growth rate.

High Market Share: In India, Cipla leads the respiratory therapy market with a 25% share. The company's flagship inhaler, Foracort, is the top brand in the Indian pharmaceutical market. Further, Cipla holds the leading position in the inhalation markets of Sri Lanka and Nepal.

Low Growth Rate: Despite its leading position, the Indian respiratory market is growing at a relatively modest rate of 10%. While healthy, this growth rate is lower than some other segments and therapies mentioned in the sources, such as the peptide market in North America.

- **Question Marks (Low market share, High growth)**

Consumer Health Products:

**Market Share:** While the Annual Report mentions Cipla's consumer health segment, they don't provide specific market share data. However, they do highlight leading brands like Nicotex, Omnigel, and Cipladine, which suggests a potentially strong market position in certain product categories which generated around Rs500+cr Revenue in the FY 23-24.

**High Growth Rate:** The consumer health segment delivered "robust double-digit growth" in Q2 FY 25. The consumer health business maintains a sustained EBITDA trajectory at 14-15%

**Market Share:** Cipla is actively expanding its generic drug portfolio in North America. They hold a 19% market share for Albuterol and achieved a 35% market share for their Lanreotide franchise.

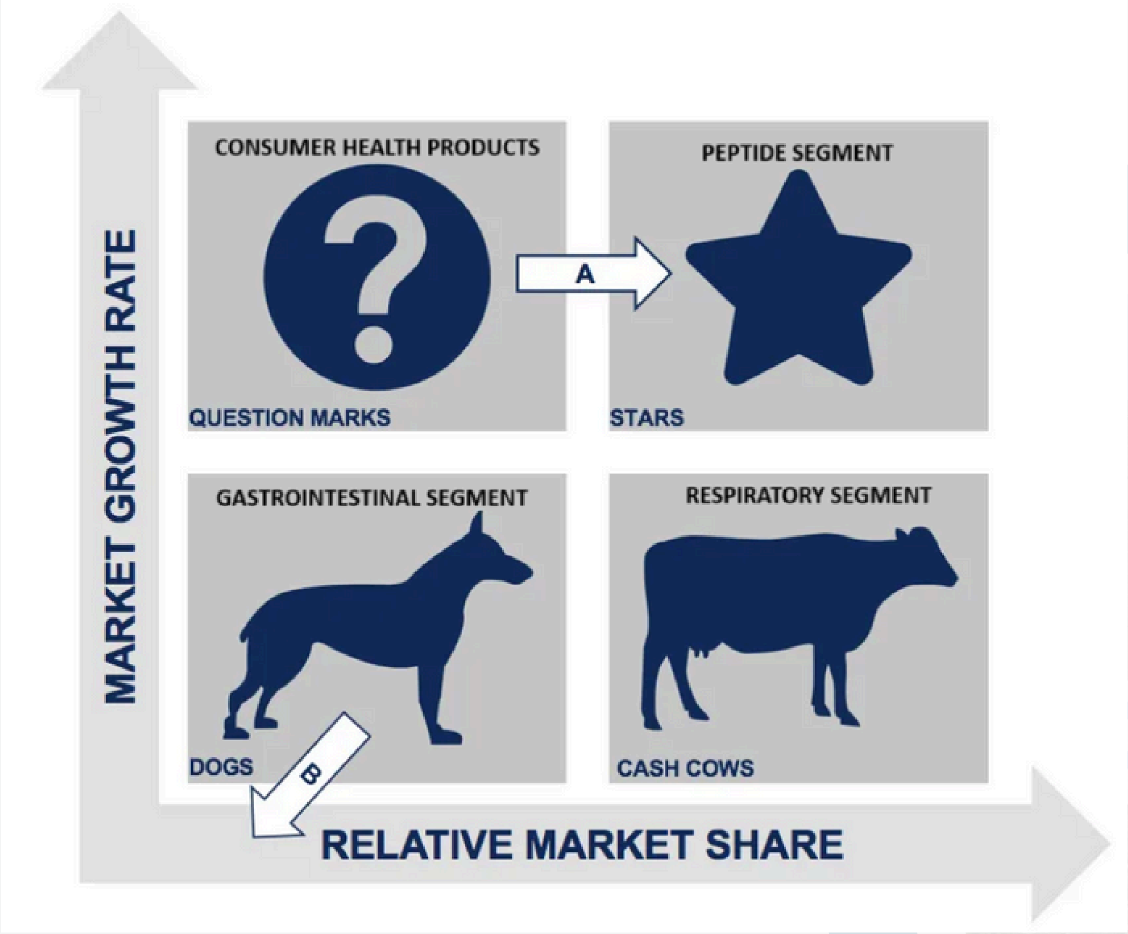
**Growth Potential:** The Company mentions new generic drug approvals and tentative approvals, indicating ongoing efforts to expand their product offerings and gain market share in the US. However, they also highlight "temporary supply challenges" for certain products, suggesting potential variability in growth.

- **Dogs (Low Market Share, Low Growth)**

Gastrointestinal segment in India's branded prescription market might be a candidate for further investigation.

**Low Growth:** The sources provide therapy-wise market data for Cipla's India branded prescription business. The Gastrointestinal therapy segment shows a negative growth rate of -2.6% in FY 2023-24 standing at Rs652cr. This contrasts with the overall market growth of 7.2% for this therapy area.

Market Rank Suggests Potential for Low Market Share: Cipla ranks 12th in the Gastrointestinal therapy market in India. While the exact market share figures aren't given, this relatively low ranking could indicate a smaller market presence compared to Cipla's stronger positions in therapies like Respiratory or Urology.


MARKET GROWTH RATE
CONSUMER HEALTH PRODUCTS
QUESTION MARKS
A
PEPTIDE SEGMENT
STARS
GASTROINTESTINAL SEGMENT
DOGS
B
RESPIRATORY SEGMENT
CASH COWS
RELATIVE MARKET SHARE

## PORTERS 5 FORCES:

- **THREAT OF NEW ENTRANTS: Low**

India is a major exporter of pharmaceutical products, with exports going to over 200 countries, making it a very attractive market for new firms to enter the industry and generate profits. However, entering this industry is quite challenging.

It is a capital-intensive market where firms would require huge investments in research and development(R&D) and building large inventories of products.

Stringent regulatory requirements, complex government policies, and the need to protect intellectual property, contributes to the significant barriers to entry in the industry.

Customer loyalty plays a significant role in the purchase of medicines as customers prefer well known medications over unfamiliar ones.

Impact: Cipla needs to compete with existing companies and worry less about the new entrants.

- **BARGAINING POWER OF SELLERS*:* Low**

The suppliers in the pharmaceutical industry have a moderate bargaining power. The major cost in creating drugs is of the organic chemicals. These chemicals are sold by numerous sellers which makes it very competitive for the supplier to sell their products at a higher price.

However, there are some suppliers which hold a high bargaining power because of their uniqueness and non- substitutability nature of their products making it very easy for them to charge higher prices and increase the cost. They can easily decrease their supply and create a situation of shortage in the industry.

The presence of government policies like DPCO (Drug Price Control Order), ensures that the drugs are not sold at a very high price and is easily available for common people.

Impact: The presence of numerous sellers of the same product in the market, with the relatively lesser produced products being regulated by organisations like the DPCO, the bargaining power is relatively low.

- **BARGAINING POWER OF BUYERS: Low**

Cipla benefits from a low bargaining power of buyers.

Drugs are purchased when it is prescribed by the doctors and is absolutely necessary. The emergency of the situation makes the patient consume the drug at whatever price it is sold at. Patients have no other option but to buy the drug making it difficult for them to reduce the price by decreasing their demand.

Due to the nature of the product, difficulty in switching between suppliers and the challenge of finding suitable substitutes makes the bargaining power of the general public low.

The primary priority of the consumer is the quality of the medicine rather than the price which reduces their price sensitivity.
However, hospitals and medical organisations generally buy the drugs in bulk, pressuring Cipla and other pharma companies to keep the prices of the drugs low.

Impact: Cipla benefits from low bargaining power of individual buyers, but bulk purchases by hospitals pressure it to keep prices competitive.

- **THREAT OF SUBSTITUTES: Low**

The direct substitute of brand-name medicines are generic or therapeutic medicines. A research study comparing generics with brand-name medicines, found that there were very small differences (approximately 3.5%) in absorption into the body between generic and brand-name medicines. Some generics were absorbed slightly more, some slightly less. Cipla would face no threat as it is one of India's biggest generic pharmaceutical companies.

Cipla may face threat from alternative therapies like ayurveda, homeopathy and Chinese traditional medicines. For instance, Tulsi (Holy Basil) and Ma Huang (Ephedra Sinica) are used as natural alternatives for asthma medications like Cipla's Asthalin, but they risk causing allergic reactions or severe side effects like hypertension, while remedies like Neem and Aloe Vera for skin conditions are slower-acting and may irritate sensitive skin. These alternatives appeal to consumers due to perceived natural benefits, affordability, or cultural preferences, particularly in regions like India, Africa, and Southeast Asia. They have several disadvantages like allergic reaction and low effectiveness.

Patients sometimes prefer over-the-counter drugs(like paracetamol for fever or ibuprofen for pain) instead of prescription medicines. OTC medicines serve as substitutes for mild or non-chronic conditions (e.g., pain relievers, cold medicines). Cipla's focus on prescription drugs makes it vulnerable in markets where OTC consumption is higher than prescription medicines due to affordability and ease of access.

Patients may shift to preventive healthcare solutions, wellness programs, or lifestyle changes instead of relying on medication for chronic diseases. For instance, patients managing diabetes may focus more on diet and exercise rather than pharmaceutical solutions. For example, patients managing diabetes may prioritize lifestyle changes like a low-carb diet and regular exercise over medications like Cipla's Teniva (Teneligliptin), reducing reliance on pharmaceutical solutions for chronic disease management.

Impact: Cipla faces limited threat from generics but competes with alternative therapies, OTC drugs, and preventive healthcare, which may reduce reliance on its prescription medicines.

- **COMPETITIVE RIVALRY: High**

Cipla faces a high threat from its rivals.

Cipla faces direct competition from several companies like Sun Pharmaceutical Industries Ltd, Aurobindo Pharma Ltd, Dr Reddy's Laboratories Ltd and Lupin Ltd. Competition among these companies are very high and they engage in various tactics like producing new products, reducing prices and enhancing their services to increase their market share. Cipla has the 2nd largest market capitalisation of over ₹1,20,000crs. Cipla has reported a growth of just over 8% in revenue in FY24 indicating heavy competition in the industry. In the generics segment, price competition is intense, as customers often switch to lower-cost alternatives. Cipla's ability to maintain cost leadership through efficient manufacturing and economies of scale helps mitigate the impact of price wars.

Cipla differentiates itself in specialized areas like:
- Respiratory therapies (e.g., inhalers).
- Antiretroviral therapies (e.g., HIV/AIDS drugs).
- Biosimilars and complex generics.

Despite these efforts, differentiation remains challenging in the commoditized generics space.

Impact: Cipla faces intense competition despite strengths in respiratory and antiretroviral therapies, struggling to differentiate in the competitive generics market.

## PLC ANALYSIS:

### 1. Introduction Phase

· Timeframe- 1935-1970

· Overview- Cipla Ltd. was founded in 1935 as Chemical, Industrial & Pharmaceutical Laboratories by Dr. K.A. Ahmed with a vision to make India self- sufficient in healthcare.

· Business Model- Cipla is committed to producing high- quality medicines that meet the highest standards of safety while being affordable and accessible to people of all income levels in all parts of the world.

- Challenges- Initially, the company struggled to establish itself nearly leading to its closure in 1938 but World War II turned things around. Cipla received substantial orders due to scarcity of global supply of medicines, marking the beginning of a brisk growth strategy.

· Financial Performance- With a successful sales and marketing strategy, Cipla quickly became the market leader in India and its turnover crossed the INR 1 crore mark in 1968.

· Pricing Strategy- Cipla Ltd.'s pricing strategy initially was primarily focused on affordability and accessibility in the Indian pharmaceutical market, which was crucial for establishing its presence and reputation. This approach was particularly significant in a country where many could not afford expensive treatments offered by multinational corporations.

### 2. Growth Stage

· Timeframe- 1970-2001

· Market Expansion- Started expanding beyond India in 1980s and became the first Indian company to receive US FDA approval, expanding its global reach even further

· Partnerships & Acquisitions- In 1997, Cipla formed a marketing joint venture with Australia-based Genpharm to expand its global reach and in 2001, it Cipla established a partnership with US-based Zenith Goldline and United Research Labs to market oncology and cardiovascular drugs in the US and European markets.

· Competitor Analysis- With the Indian pharmaceutical market becoming more competitive, Cipla faced significant competition from Indian companies like Dr. Reddy's, Ranbaxy and Sun pharmaceuticals as well as from MNCs like Pfizer and Novartis.

· Expanding Indicators- Company got listed on BSE in 1984 allowing it to raise capital from public which could be used to invest in R&D, expansion of manufacturing facilities and further acquisitions

· Sales performance- Strong financial performance with the revenue and profits growing steadily by each year. Brought down the cost of anti-HIV drugs (produced by US) from $12000 per patient per year to $350 and supplied it to South Africa in hours of need, additionally boosting revenue.

**3. Maturity Stage**

· Diversification- Expansion into wellness sector with Cipla Health in 2013 which became an independent healthcare subsidiary in 2016 and foray into digital therapeutics

· Intellectual Property Protection- Cipla has a total of 3490 patents globally for several technologies as well as drugs like antiretroviral, respiratory, cardiovascular, neurology and oncology drugs

· CSR Initiatives- Cipla has undertaken several programs to help people and the environment. Some of the CSR projects approved for FY24 were- Palliative Care Projects, Skilling and vocational training, Environment sustainability and Disaster Response Programs

· Market Leadership- With a market capitalization of INR 1.21 trillion, Cipla Ltd. is the 3rd largest pharmaceutical company in the Indian market along with a strong presence in Sri Lanka and South Africa

· Product Line Extension- Along with its extensive product offerings, the company is now planning to invest in newer devices and areas of diagnosis, biotech, stem cells, gene therapy and messenger RNA technologies.

### 4. Decline Stage

- Overview- While Cipla has not entered a decline stage yet, factors such as increased competition from generics and regulatory challenges could pose risks. The company's ability to innovate and adapt will be crucial in maintaining its market position.

- Current Outlook- Cipla Ltd. was allegedly hacked by Akira ransomware group resulting in theft of 70GB of sensitive data including internal financial information, personal medical records and employee and customer details. This incident raises concerns about the company's cybersecurity measures and could impact its reputation and operational integrity moving forward.

- Revenue Growth Stagnation- Although Cipla's revenue increased from approximately ₹217 billion in FY 2022 to over ₹257 billion in FY 2024, the growth rate has been inconsistent, with some reports indicating a slowdown in key markets and increased competition affecting sales growth.

- Regulatory Challenges- Cipla ltd. has faced several regulatory challenges which have pushed back the anticipated launches of key drugs, such as the respiratory drug Advair to mid-FY26 and the chemotherapy drug Abraxane to FY27

- Disinvestment- In May 2024, promoters sold 2.53% shares of the company to create liquidity for meeting specific needs including philanthropy

Cipla's Journey: From Inception to Innovation

| | |
|---|---|
| 1935 | Cipla founded as *Chemical, Industrial & Pharmaceutical Laboratories* by Dr. K.A. Ahmed |
| 1938 | Faced near closure due to early struggles |
| 1939–1945 | Received substantial orders due to global medicine shortages; marked the beginning of rapid growth |
| 1984 | Listed on Bombay Stock Exchange (BSE), boosting capital access for R&D and expansion |
| 1997 | Formed a marketing joint venture with Genpharm (Australia) |
| Early 2000s | Reduced the cost of anti-HIV drugs from $12,000 to $350 per patient/year and supplied them to South Africa |
| 2013 | Entered wellness sector by launching *Cipla Health |
| May 2024 | Promoters disinvested 2.53% equity for liquidity and philanthropy |
| 2024 | FY26–FY27: Regulatory delays push key drug launches (Advair & Abraxane |

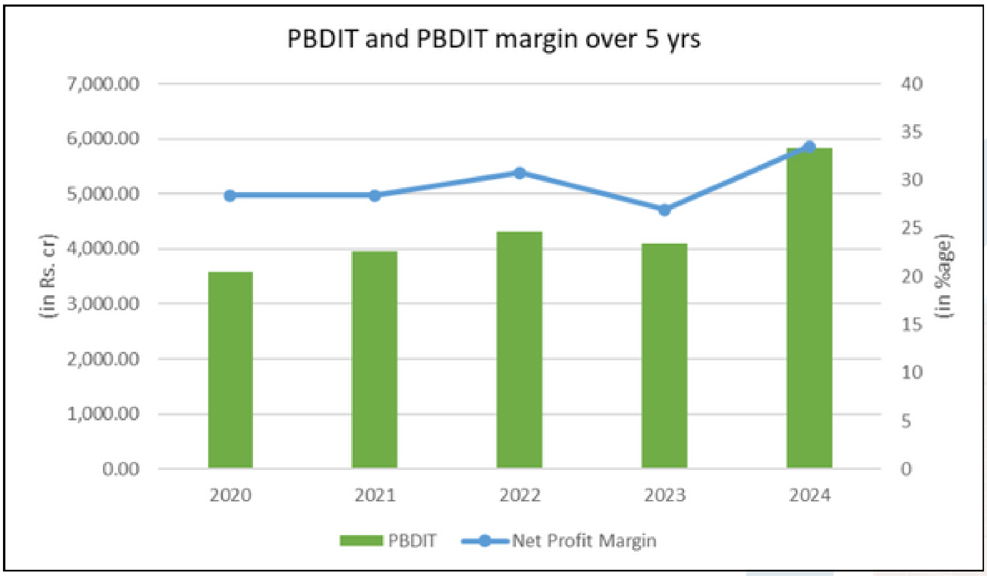
## INCOME STATEMENT ANALYSIS:

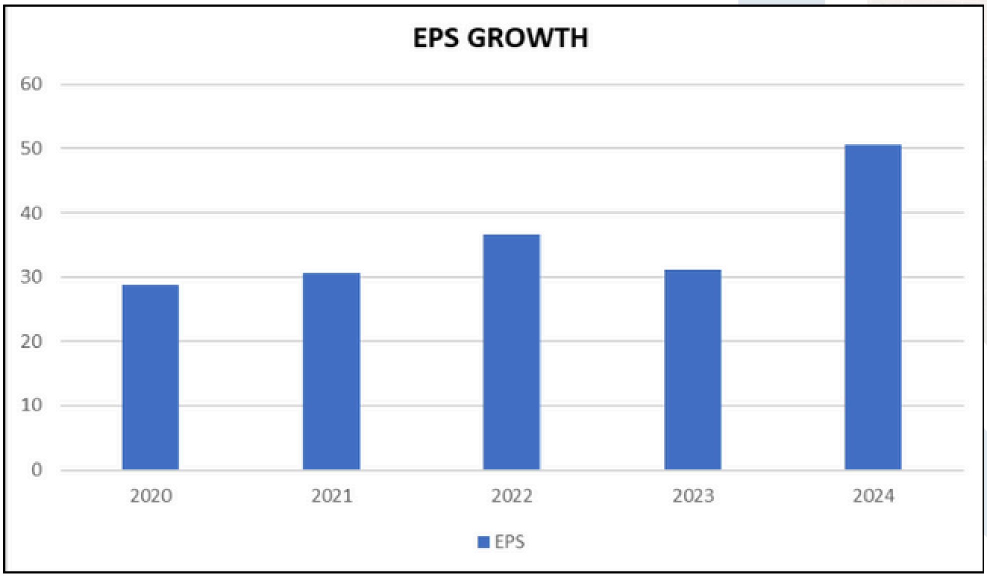
Cipla Ltd. has been showing remarkable growth in financials post-covid, apart from the small dip in EPS and Net Profit in FY23, which could be due to the notable rise in input costs and R&D expenses as well as forex impacts. A strong recovery was seen in FY24 as net profit for the year grew by 46.5% YoY basis.

Revenue crossed the threshold of Rs. 25,000 cr and operating margins also significantly improved to cross Rs. 6000 cr at 24.5% for the very first time. The company performed especially well in the 3rd quarter of FY24, when net profit surged by 32% at Rs. 1,055.9 cr. This was mainly supported by growth across branded prescriptions, trade generics and consumer health.

R&D expenditure, driven by product fillings and developmental efforts, was 6.2% of revenue and rose by 5% from the previous year indicating a long-term growth strategy and innovation. Employee Benefit Expense increased by 14% due to inflationary salary revisions and expanded operations in key markets like North America. Finance cost, on the other hand decreased from Rs. 22.27 cr to Rs. 20.25 cr, indicating improved debt management and cash flow optimization.

Overall, Cipla's FY24 performance demonstrates significant revenue growth, improved profitability and strong margin expansion. Looking ahead, it is well-positioned to sustain its growth trajectory through its diversified portfolio, geographic expansion and prudent cash management.


PBDIT and PBDIT margin over 5 yrs
7,000.00
6,000.00
5,000.00
4,000.00
3,000.00
2,000.00
1,000.00
0.00
(in Rs. cr)
40
35
30
25
20
15
10
5
0
(in %age)
2020
2021
2022
2023
2024
PBDIT
Net Profit Margin


EPS GROWTH
60
50
40
30
20
10
0
2020
2021
2022
2023
2024
EPS

## BALANCE SHEET

**LIABILITIES:**

RESERVES: Cipla has demonstrated a growth in reserves of 14% (₹3,299crs) in FY24 from ₹23,246(in March 23) to ₹26,545(in March 24). The significant growth is backed by a growth of 46% in the net profit.

BORROWINGS: Cipla's borrowings have reduced drastically from ₹803cr (FY24) to ₹466cr (Q3 FY25), a decrease of 42%. This decrease has occurred majorly due to the decrease in the short -term borrowings of the company, helping them build cash instead of spending it in interest expense. The company's debt primarily consisted of lease liabilities and working capital requirements, with no significant long-term borrowings.

CURRENT LIABILITIES: As of December 31, 2024 (Q3 FY25), Cipla Limited's balance sheet reflects a stable management of current liabilities. Trade payables increased slightly to ₹2,764 crore from ₹2,675 crore in the previous quarter, indicating consistent payment cycles to suppliers.

**ASSETS**

FIXED ASSETS: Cipla's fixed assets have grown from ₹7270crs in FY23 to ₹7648crs in FY24, giving them more assets to work with and increase their rate of production. However, in FY24 land and building holdings of the company have reduced suggest asset disposal or revaluation.

CURRENT ASSETS: Cipla's current assets have shown a growth of 12% in FY24 majorly due to an increase of ₹1718crs of current investments. This growth ensures a steady interest amount for Cipla in a short duration. Trade Receivables has also increased from ₹4057crs to ₹4770crs indicating increase in sales for the company. It could also indicate a delay in collection from debtors and the default in payment received could increase causing losses for the company.

LONG TERM LOANS AND ADVANCES: Cipla did not have any long-term loans and advances in FY23 but this amount increased to almost ₹17crs. In FY24 ensuring steady interest amount in the long term.

## CASH FLOW STATEMENT OF CIPLA LIMITED:

**Cash Flow from Operating Activities:**
In 2024, Cipla Ltd generated ₹4134 core in net cash from operating activities, a significant rise compared to ₹3238 crore in 2023 driven by profit from operations which was ₹6537 crore. The depreciation, impairment and amortization expenses and the finance cost showcased a significant increase of ₹1172.11 crore and ₹109.54 crore for FY 24. Additionally the inventory decreased to minus ₹62 crore and payables rose sharply to ₹163 crore for FY 24. There was a decline in the income tax paid from ₹1597.48 crore to ₹1301.89 crore for FY 24.

**Cash Flow from Investing Activities:**
In 2024, Cipla Ltd used ₹2982 crore in net cash for investing activities, a significant increase compared to ₹2376 crore in 2023. The outflow was mainly driven from the purchase of fixed assets and investments amounting to ₹1349 crore and ₹1432 crore respectively. Fixed Assets worth ₹34 crore and investments amounting to ₹1 crore were sold by the company in FY 24. Additionally the company has shown a significant increase in interest received to ₹208.23 crore in 2024 as compared to ₹114.01 crore in 2023.

**Cash Flow from Financing Activities:**
In 2024, Cipla Ltd used ₹1200 core in net cash for financing activities, compared to ₹958 crore in 2023. The main outflows included ₹300 crore for the repayment of borrowings and ₹686 crore for paying dividends. Additionally the company paid interest of ₹65 crore, financial liabilities of ₹77 crore and other financing items amounting to ₹72 crore in 2024.

**Analysis Summary:**
Cipla Ltd displayed improvement in its net cash flow which is currently in the negative territory at (49) crore in 2024 as compared to (97) crore in 2023.
Operating Activities showed a healthy increase in cash generation mainly driven by the profit from operations.
Investing Activities showed a healthy increase in capital expenditure on property and investment, highlighting expansion and reinvestment in growth opportunities.
Financing Activities outflow was mainly driven by the repayment of loans and payment of dividends.

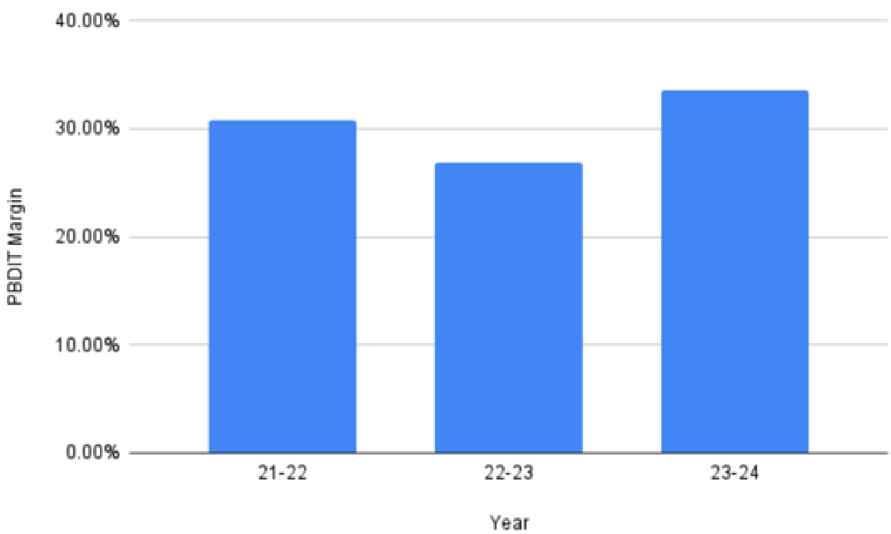
## Ratio Analysis-

### Profitability Ratios

1. **PBDIT Margin(%)**

2021-22: 30.80% , 2022-23: 26.91% , 2023-24: 33.51%

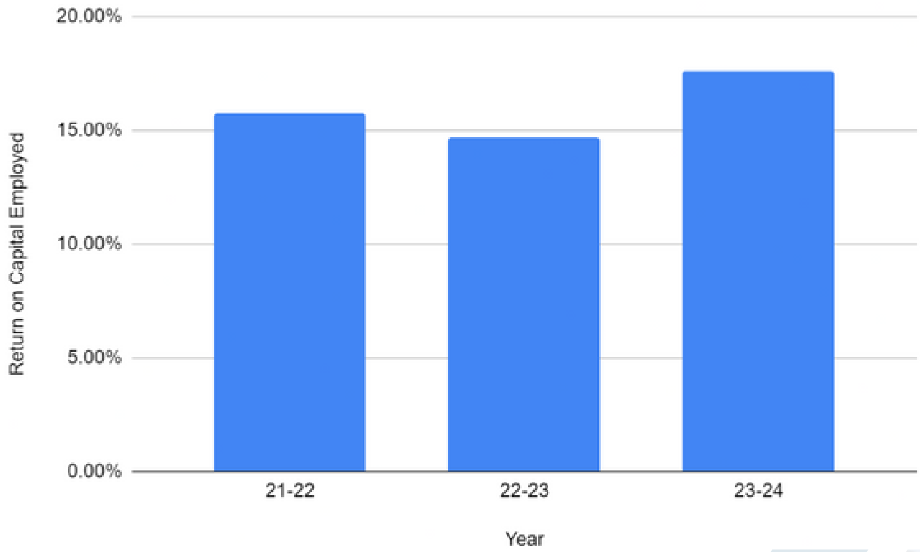
Cipla Ltd. boasts a good PBDIT Margin which is more or less constant and growing. It took a dip by around 400 bps after the end of FY 21-22 but was back up by 650 bps at the end of the previous FY(2023-24). This indicates towards healthy and smooth operations of the company and a good operations profitability. This is also reflecting Cipla's recent efforts to cut extra costs across sectors and an impact of positive revenue growth.




2. **Return On Capital Employed(%)**

2021-22: 15.72% , 2022-23: 14.67% , 2023-24: 17.61%

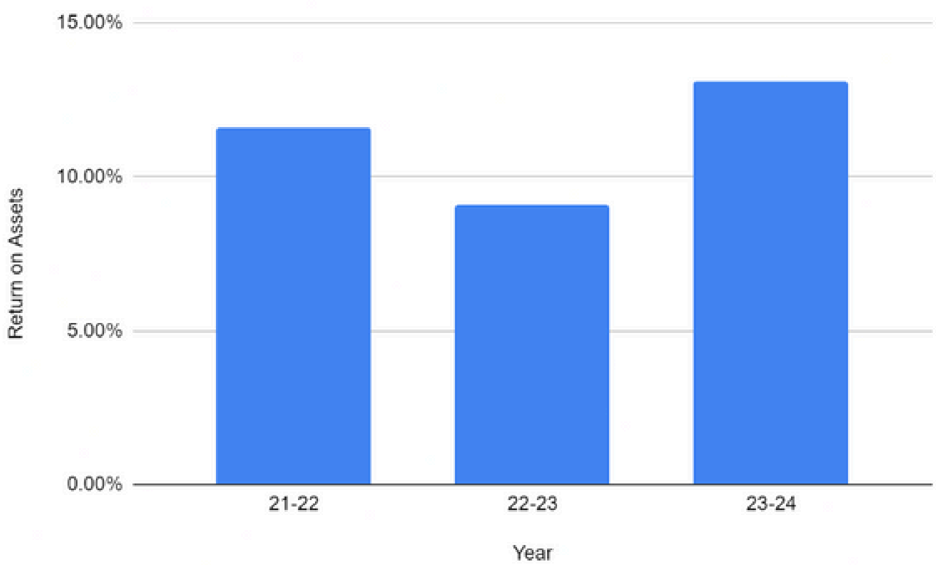
Cipla has a pretty constant Return on their Capital Employed in the business, showing signs of financial strength and stability. There was a decline in ROCE to 14.67%, which may indicate challenges faced during the 2022-23 period. Possible factors could include increased operational costs, lower sales in certain segments, or higher capital investments that did not immediately translate into proportional profit growth. The significant increase in ROCE to 17.61% indicates a strong recovery and improvement in operational efficiency. This rise suggests that Cipla has effectively addressed previous challenges, possibly through cost management, improved sales performance, or successful new product launches.




3. **Return on Assets(%)**

2021-22: 11.62% , 2022-23: 9.10% , 2023-24: 13.12%

Cipla shows a solid ROA in the FY 21-22 at 11.62% which indicates efficient utilisation of Assets for their operations, increasing their profitability even further. The ROA declined significantly to 9.10% in this period, which may reflect challenges such as increased operational costs, lower sales volumes, or higher asset bases without corresponding increases in net income. This decline indicates that while Cipla remained profitable, it was less efficient in utilising its assets compared to the previous year. There was a rebound in the FY 2023-24 as the ROA grew by 402 bps, boasting effective and efficient utilisation of assets and better cost management.

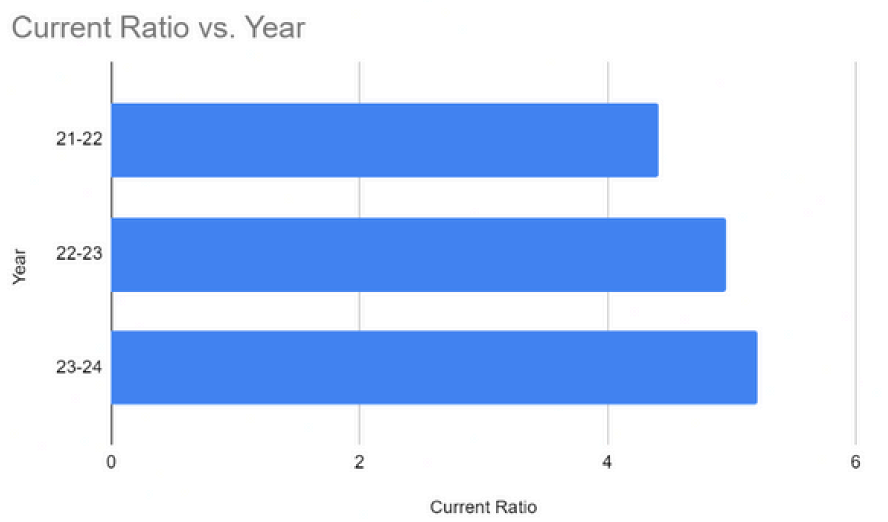


## Liquidity Ratios

1. **Current Ratio(x)**

2021-22: 4.41 , 2022-23: 4.95 , 2023-24: 5.21

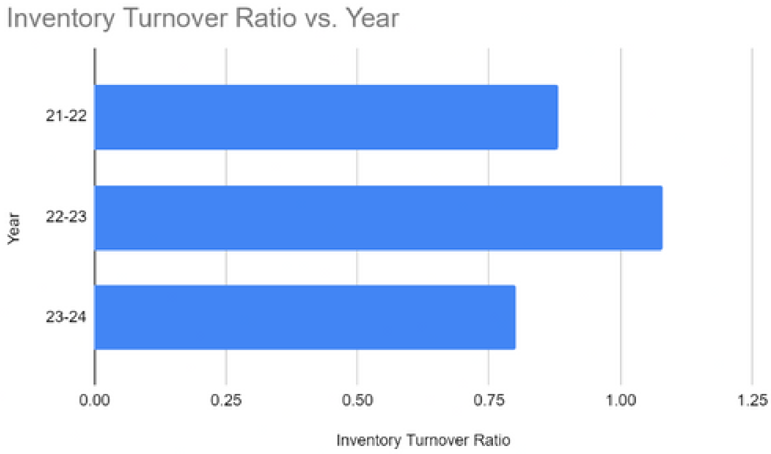
Cipla's Current ratio shows a strong liquidity position of the company, indicating that the company has several times more Current Assets than Current Liabilities. A rising current ratio can also indicate a conservative approach to liquidity management. The ratio keeps on rising and rises again in 2023-24, suggesting that Cipla has continued to build its asset base relative to its liabilities, providing a robust buffer against any unforeseen financial challenges.




2. **Inventory Turnover Ratio(x)**

2021-22: 0.88x , 2022-23: 1.08x , 2023-24: 0.80x

Cipla's inventory turnover ratios suggest that while there was a brief period of improved efficiency in 2022-23, the recent decline indicates a need for renewed focus on inventory management strategies. Addressing the factors contributing to this decrease will be crucial for enhancing operational performance and ensuring that inventory levels align with market demand moving forward. Improved forecasting, better sales strategies, and efficient supply chain management will be essential for Cipla to maintain healthy inventory turnover ratios in the future.

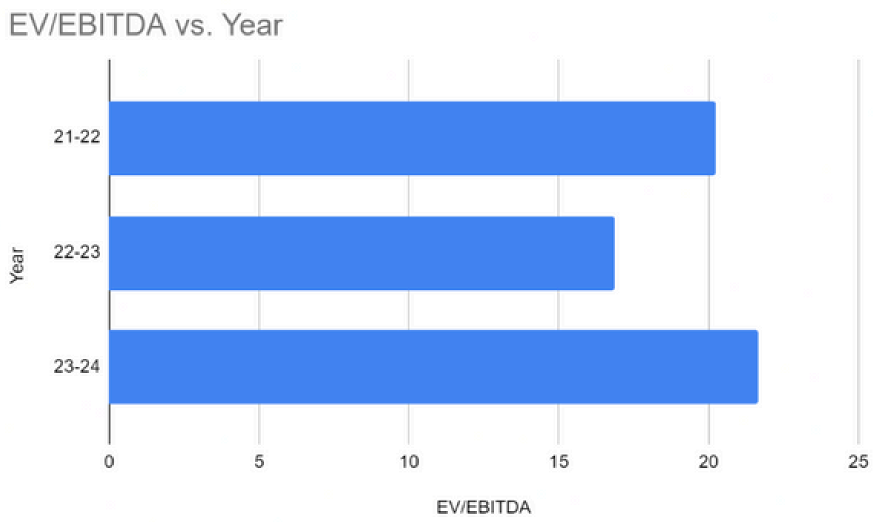



## Valuation Ratios

1. **EV/EBITDA(x)**

2021-22: 20.22x , 2022-23: 16.88x , 2023-24: 21.66x

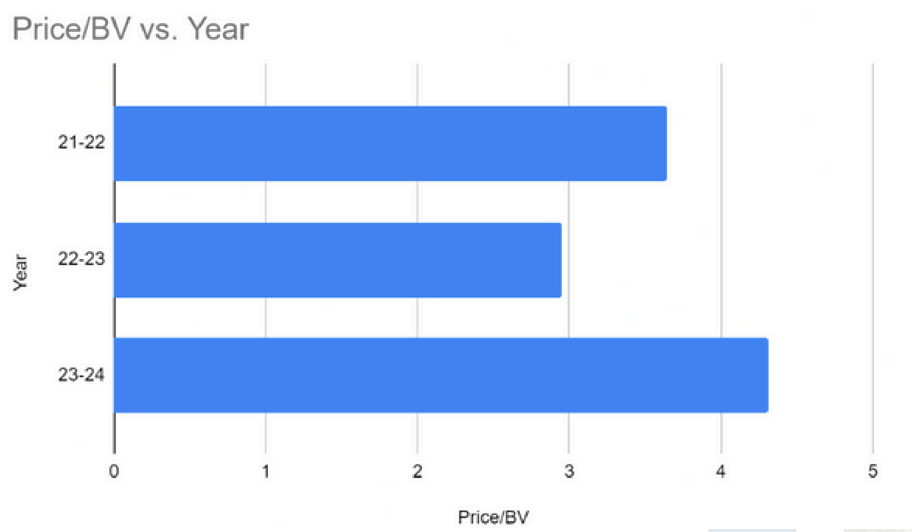
FY 21-22 indicated a strong EV/EBITDA multiple, showing investor confidence in the company and that they are willing to pay a premium for the shares of the company. In 2022-23 this ratio fell to 16.88x, this drop could be attributed to several factors, such as challenges in revenue growth, increased operational costs, or market uncertainties that may have impacted profitability. A recovery in the ratio was seen in the FY 2023-24, a rising EV/EBITDA ratio suggests that investors are optimistic about Cipla's future earnings potential and are willing to pay more for its earnings.



2. **Price/BV(x)**

2021-22: 3.65x , 2022-23: 2.95x , 2023-24: 4.31x

An initial higher P/BV ratio shows strong investor optimism. The subsequent fall in the next year's multiple indicates that the market may have reassessed Cipla's growth prospects or faced challenges during this period. Cipla's P/BV ratio demonstrates the company's evolving valuation over the past three years. The rebound from 2.95x in 2022-23 to 4.31x in 2023-24 highlights a positive shift in market perception, driven by strong operational performance and strategic initiatives. Maintaining this upward trend will require continued focus on growth opportunities and effective management of market challenges moving forward.




**Efficiency Ratio**

1. **Asset Turnover Ratio(%)**

2021-22: 0.54% , 2022-23: 0.60% , 2023-24: 0.57%

The Asset Turnover Ratio of 0.54 indicates that Cipla generated ₹0.54 in sales for every ₹1 of assets during this fiscal year. This relatively low ratio suggests that the company may not have been utilising its assets as efficiently as possible, potentially due to overcapacity or lower sales volumes. There was a subsequent increase in this ratio in the following year indicating that Cipla was able to generate more sales per unit of assets compared to the previous year. This improvement could be attributed to better sales performance, effective inventory management, or strategic initiatives that enhanced operational efficiency. The slight decline in 2023-24 suggests that while the company is still performing better than two years ago, it needs to focus on maintaining and enhancing asset efficiency.

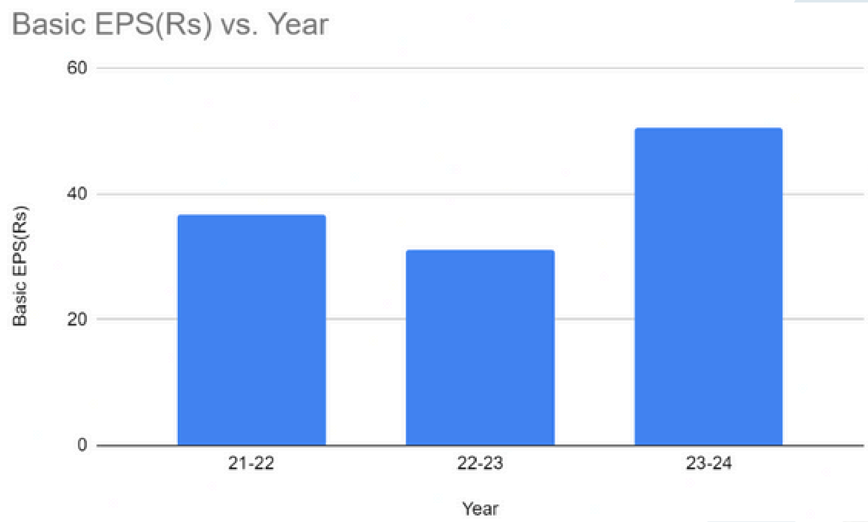
## Per Share Ratio

1. **Basic EPS(Rs)**

2021-22: Rs 36.67 , 2022-23: Rs 31.15 , 2023-24: Rs 50.51

The EPS for FY 21-22 portrays strong financials with a solid profit generation per share. But we can see a dip in the profitability per share in FY 22-23, which fell by around 15%, mainly due to financial constraints, and a reduction in profit due to higher costs like R&D expenditure and lower sales.

The EPS rebounded significantly to Rs 50.51, representing an increase of approximately 62% compared to FY 2022-23 and a growth of about 38% from FY 2021-22. This sharp increase suggests a strong recovery in profitability, possibly due to improved sales, cost management, or successful product launches.



## P/E based Target Price

**Current Market Overview**
As of 2nd March, 2025, Cipla Limited's current share price is ₹1,407.50, with a Price-to-Earnings (P/E) ratio of 23.34. The relatively high P/E reflects investor confidence in Cipla's ability to sustain its earnings growth, driven by its diverse product portfolio and strong presence in both domestic and international markets.

**Step 1:** Current Earnings per Share
The trailing twelve-month (TTM) EPS for Cipla Limited is reported at ₹55.41. This figure will be used to project future earnings.

**Step 2:** Forecasting future EPS growth
Given Cipla's historical performance and growth trajectory, we can forecast the EPS growth rate over the next five years. Based on recent trends, we can estimate a conservative annual growth rate of 17.5% per year, reflecting Cipla's ongoing expansion plans, particularly in its diverse product offerings and increasing market share.

With this 17.5% growth rate, we can project the EPS for the next five years as follows:
Year 1 (FY2025):
EPS = ₹55.41× (1 + 0.175) = ₹65.10
Year 2 (FY2026):
EPS = ₹65.10 × (1 + 0.175) = ₹76.5
Year 3 (FY2027):
EPS = ₹76.5 × (1 + 0.175) = ₹89.88
Year 4 (FY2028):
EPS = ₹89.88 × (1 + 0.175) = ₹105.61
Year 5 (FY2029):
EPS = ₹105.61 × (1 + 0.175) = ₹124.10

**Step 3:** Estimating future P/E ratio
To derive a target price for Cipla Ltd. based on future earnings, we assume a future P/E ratio of 30 by FY2029. This forecast reflects strong investor confidence in Cipla's growth potential and market positioning within the pharmaceutical industry. While this P/E ratio represents a premium compared to the current market average, it acknowledges Cipla's strong performance and resilience in a competitive landscape.

**Step 4:** Calculating Target Price

Using the projected EPS for FY2029 and the estimated P/E ratio:
Target Price = Projected EPS × Estimated P/E Ratio
Substituting in the values:
Target Price = ₹124.1 × 30 = ₹3,723

**P/E Based Target Price**

| | |
|---|---|
| Share Price | 3,723 |
| Model Error Leeway | 10% |
| Higher Intrinsic Value Brand | 4095.3 |
| Lower Intrinsic Value Brand | 3350.7 |

## DCF Based Valuation

**Methodology:**
The following steps were undertaken in constructing the DCF Analysis

**Step 1-** We took the historic financials of the company and using market provided assumptions, came to the Free Cash Flows of the company.

**Step 2 -** We proceeded with the calculation of the Weighted Average Cost of Capital (WACC). For the calculation of the cost of equity, we have used the Capital Asset Pricing Model (CAPM). The cost of debt was obtained by dividing the interest expense by the total of long-term debt and short-term debt.

**Step 3 -** Further, we projected the future free cash flow for the next ten years taking the free cash flow obtained in step 1 as the base. The WACC obtained in Step 2 was used as the discount rate for arriving at the PV of the projected cash flows.

**Step 4 -** We also took a terminal growth rate for discounting perpetual free cash flow after the tenth year.

**Step 5-** The summation of steps 3 and step 4 was taken to arrive at the total PV of future free cash flow which is also the Enterprise Value. Step 6- The resultant value of step 5 was used to arrive at the intrinsic value of the share. We have subtracted the Net Debt from Enterprise Value (refer to step 5) to arrive at equity value. The equity value is divided by the number of shares outstanding to arrive at the intrinsic value per share.

**DCF Valuation:**
**CIPLA DCF SHEET**

## SUMMARY:

Cipla Ltd. maintains a strong domestic and global presence, with a significant share of its revenue coming from North America and South Africa. Favorable consumer trends and recent tax cuts on pharmaceutical products position the company well for growth in the domestic market, potentially driving a surge in demand. However, the evolving geopolitical landscape with the U.S. and the possibility of increased tariffs could challenge Cipla's competitive edge in the American market. Given its low profit margins, the company may have no choice but to pass the tariff burden onto consumers, potentially impacting sales and market positioning.

Despite these challenges, Cipla Limited reported robust consolidated financial performance for FY23-24. Total revenue increased by 14% to ₹265,207 million, driven by strong operational growth. Net profit surged by 46.5% to ₹41,553 million, reflecting improved efficiency. Operating profit margins rose to 23.7% from 21.1%, while net profit margins expanded from 12.5% to 16.1%. Cash flow from operating activities grew by 27.7%, demonstrating solid liquidity. The company maintained a near-zero debt-to-equity ratio, underscoring prudent financial management. These results highlight Cipla's strategic effectiveness and reinforce its position as a leading pharmaceutical player, well-equipped for future expansion and investment opportunities.

### Disclosure:



**Researched by:**
Akshath Agarwal
Riyansi Tulsyan
Soham Malpani
Vivek Vardhan

**Supervised by:**
Ayush Mundhra
Supratim Das

**Visualized by:**
Aakriti Parasrampuria
Harsh R Jaiswal