

Cipla Limited (Cipla) - Buy

Result Update

Current Market Price (CMP)

Rs. 905

Target Price

Rs. 1070

Our price target of Rs.1070 offers upside of 18.2% from current market price.

Rationale:

- All eyes on FY23 US launches; Domestic business on strong footing.
- US respiratory franchisee & One India Strategy to drive earnings over FY23-24.
- Core FY22/23 earnings estimates remain largely unchanged. Maintain BUY.
- Maintain Fair Value of Rs 1070 based on 19X FY23E earnings (ex-Revlimid).

Q2FY22 Result update:

Positives:

- Domestic business grew 16% yoy despite high base of FY21.
- EU/RoW market reported 14% yoy growth, 13% above KIE estimates.
- Strong cash generation; Prepaid InvaGen acquisition debt during the quarter.
- Expect Advair launch in FY23; Revlimid settlement provides growth visibility.
- Cipla's respiratory portfolio is on a strong footing beyond FY24E.

Negatives:

- Higher interest cost and tax rate led to profit missing estimate by 9%.
- Gross margins declined 110 bps qoq (150 bps below KIE estimate).

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For detailed report dated 27th Oct 2021. Note: CMP & valuation may differ due to difference in dates.



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