

## Cipla Limited (Cipla) – BUY

### Result Update

Current Market Price (CMP)

**Rs. 920**

Target Price

**Rs. 1040**

**Our price target of Rs.1040 offers upside of 13% from current market price.**

### Rationale:

- Steady expansion of Covid portfolio to support near-term earnings.
- US respiratory franchisee & One India Strategy to drive earnings over FY23-24.
- Raise FY22/23 earnings estimate by 1-4%; Stock trades at 19.3x FY23E earnings.
- Revise Fair Value to Rs1040 based on 24X FY23E earnings. Maintain BUY.

### Q4FY21 Result update:

#### **Positives:**

- Strong execution in Proventil in the US (13% market share).
- Progress on other inhalation launches in US gives strong visibility over FY22-24.
- Cost optimization initiatives provide strong support to margins & return ratios.
- Robust cash generation YoY; Rs1900 cr net cash in Mar'21 vs Rs800 cr net debt.

#### **Negatives:**

- Q4FY21 performance below our expectations.
- Gross margins impacted due to inventory charge on unsold Covid products & shelf-stock adjustment of Proventil.

[Click here](#)

For detailed report dated 17 May 2021. Note: CMP & valuation may differ due to difference in dates.



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Holding Period – 12 Months; Disclaimer: <http://bit.ly/2n5AxIE>