

Cipla revenues up, but misses Street expectations

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Drug maker Cipla's revenues at ₹2,720 crore in the June 2014 quarter were up 8.3 per cent over the year-ago quarter, but were lower than consensus estimates of ₹2,823 crore. While the domestic sales increased by a robust 17 per cent year-on-year and provided some cushion, it is the slower-than-expected exports growth that led to the miss. Exports at ₹1,358 crore contributing almost half to overall revenues grew 10.5 per cent. Analysts believe the formulations sales increased in the quarter under review, but sales of active pharmaceutical ingredients (API) declined.

On account of the lower-

than-expected revenue growth, Cipla's earnings before interest, tax, depreciation and amortisation (Ebitda), too, disappointed. While consensus estimates for the same according to Bloomberg stood at ₹567 crore, Cipla posted Ebitda of ₹542 crore, down 21 per cent over the year-ago period. The company attributed the decline to one-off gains last year. In the year-ago quarter, the firm had seen higher margins thanks to Dymista sales. Dymista is an allergy treatment drug, for which Cipla has a supply agreement with European drug major Meda AB.

The only respite is that Ebitda marked a growth of 32 per cent over the March 2014 quarter. One reason for the

sequential gain is the low base. The company had disappointed the Street in the previous quarter with sharp decline in Ebitda and margins owing to increase in costs. The pharma company is setting its own front-end (marketing) operations in South Africa for which it had acquired South Africa-based Medipro.

Although this bodes well and holds promise in the long-term, the sharp increase in costs associated with expansion thereby led to a decline in profitability of the company and hence, margins had plummeted in the March 2014 quarter impacting investor sentiments. Thus, the Ebitda margins at 19.9 per cent came better than March 2014 quarter's 16.14 per cent. However, those are still far lower than 27.5 per cent in the year-ago quarter.



Company