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Cipla Drug Launches Hold Promise for FY17

Despite weak H2 guidance, growth in prescription biz, planned product rollouts to boost growth next year

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ET Intelligence Group: After a strong performance in 2014, Cipla's stock hardly moved in 2015. The pharma major has had key management reshuffles recently and has steadily grown its US business. Generics sales in the US, launch of inhalers in the UK and a ramp up from its acquisitions are key positive factors to look forward to. Will the company be able to deliver on these promises?

Cipla has over a period of time changed its strategy by moving away from a partnership-based model of supplying drugs to creating its own marketing front-end in the developed markets of the US and Europe, and building its products pipeline.

While the company has guided that the second half of the current fiscal is likely to be weaker than the first half, the growth factors for the coming fiscal appear promising.

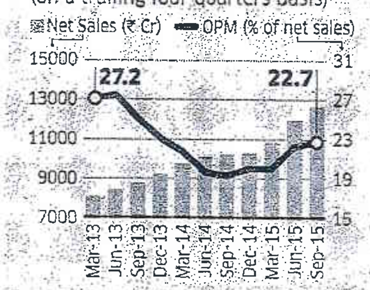
A guidance of 15% growth in the prescription business in the local market and around 10 new launches in the US over 12-18 months hold promise for the coming fiscal. Launch of combination inhalers in the UK, though delayed, remains a key positive trigger.

PUSHING SALES

The pharma company has built a promising pipeline of products for launch in the US

Consolidated Financials

(on a trailing four quarters basis)



The company has built a promising pipeline of products for launch in the US, especially in the areas of respiratory, anti-infective and oncology.

Invagen, its acquisition in the US, holds pipeline of a clutch of first to file products slated for launch over the next two years. With Invagen acquisition, Cipla has over 100 ANDAs (abbreviated new drug approvals) in the US.

The USFDA observations received on its Indore facility has no major ramification on Cipla's near-term performance since the facility has a small contribution to the US sales.

Ramp up of its acquisitions and joint ventures is likely to harness the next level of growth for the company.

The company has guided for 22% revenue growth for FY16. With the first half revenue growth at 35% and its base business expected to grow at a healthy pace in the second half, Cipla may well exceed its guidance.

Company