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# Cipla has a Buy rating

**Kotak Institutional Equities**

OVER the next 24 months, several catalysts promise to change Cipla's core earnings trajectory and reaffirm its positioning in the respiratory generics market, including increased growth visibility in core markets of India and South Africa, potential upsides from US launches beginning in 4QFY15, the UK Advair pMDI launch in 4QFY15 and potential ANDA filing for ProAir HFA in 2HFY16.

We reinitiate coverage on the stock with a buy rating and target price of ₹600.

Since January 2012, Cipla underperformed the BSE Healthcare Index by ~65%, led by six quarters of successive downgrades. Ebitda margins contracted from a stable 22-24% in FY12 to 16.3% in 4QFY14, even as the management acted to correct inherent flaws in its partnering business model in regulated markets.

We believe significant benefits from the FY12-14 investment phase are not yet reflected in the company's financial performance.

Over the next 12-24 months, we see Cipla reaching an inflection point in its earnings trajectory, driven by improving growth momentum in its core markets of India and South Africa (combined 55% of FY14 sales) and scale-up in the US business, which is critical to operating leverage (7% of FY14 sales).

Company