PRESS INFORMATION BUREAU
पत्र सूचना कार्यालय
GOVERNMENT OF INDIA
भारत सरकार

Business Line, Delhi
Monday 27th January 2014, Page: 2
Width: 26.74 cms, Height: 19.24 cms, a3r, Ref: pmin.2014-01-27.23.13

Cipla

Sniffing an opportunity

Cipla has grown faster than the industry, thanks to market share gains in the asthma, cardio-vascular and anti-infective segments

NALINAKANTHI V

Even as many pharma stocks clocked solid gains in 2013, drug major Cipla's stock saw a tepid 3 per cent rise. With a strong footing in the domestic market and growth triggers in the export business, the stock is well placed to deliver healthy returns over the next one-to-two years.

At the current market price of ₹414, the stock trades at 18 times its 2014-15 earnings, compared with the historical average of 19-20 times one-year forward earnings.

Cipla is the cheapest stock in the large cap pharma space — a good buying opportunity for investors.

Strong back home

Cipla derives almost 45 per cent of its revenues from the home market. The company turned aggressive in the domestic market by increasing its marketing force by over 60 per cent in the last five years. These investments are beginning to pay off.

Despite the sluggishness in the industry over the last two quarters due to implementation of the new drug pricing policy and dealer strike, Cipla managed to grow faster than the industry. Its market share gains in drugs used to treat ailments such as asthma, cardio-vascular disorders and infections helped the company buck the industry slowdown. With negligible revenue impact (less than 2 per cent) on account of price cuts under the new drug pricing policy, Cipla is geared to sustain healthy growth in the domestic market.

Increased contribution from the higher margin domestic business should aid profitability in the near term.

Forward integration

Cipla is currently building its own marketing network in key export markets. In this direction, the company acquired full control of the South African marketing arm Cipla Medpro for about ₹271 crore. Cipla Medpro being a trading company, its operating margins are lower than Cipla's consolidated margins. However, with the scale-up in operations, margins should stabilise and improve thereafter.

Shot from Dymista

Cipla will be supplying to Sweden-based Meda Pharma AG, the latter's innovative nasal spray brand Dymista. With a 6.4 per cent prescription share, it is the second largest brand in the US. According to Meda Pharma, Dymista recorded sales of Swedish Krona 286 million (₹272 crore) in the first nine months of 2013. Meda Pharma has launched the product in 10 countries and is in the process of rolling out the product in the EU region. Being a patented product, Dymista will be a recurring high-margin opportunity for Cipla.

LAVENT KOHUK/SHUTTERSTOCK.COM

Breathing easy Expected inhaler launches in the EU will drive growth.

Inhalers, a big opportunity

Expected approval for Cipla's combination inhalers treating asthma and chronic obstructive pulmonary disorder (COPD) in the EU market is likely to be a big growth driver.

The recent go-ahead by the German regulator to Vectura and Sandoz for generic fluticasone and Salmeterol combination inhaler has raised hopes that Cipla's generic version of the same drug will also be approved soon. The company filed the product in 2008. This drug combination, originally launched by GSK, was sold under the brand name Seretide in EU (Advair in US and a few other markets).

With branded sales of $2.5 billion (₹15,375 crore), this may present a solid growth opportunity for Cipla. The company has filed 10 inhaler products so far in the EU and has secured approval for five products.

It has tie-ups with multiple partners for marketing inhalers in the EU market, and has already launched generic Advair in Russia and South Africa.

Cipla has budgeted capital expenditure of ₹600 crore in the current fiscal. The company has incurred ₹200 crore during the first six months of the fiscal. A large part of it will go into building a new R&D facility at Vikhroli and active pharmaceutical ingredient plant at Patalganga.

The company's consolidated revenues grew 19 per cent in the first half of the fiscal to ₹5,000 crore.

Its operating margin moderated by 4.7 percentage points, compared with the same period last year.

This was primarily on account of consolidation of Cipla Medpro and expiry of exclusivity for generic supplies of the anti-depressant drug lexapro. This led to a 9 per cent decline in net profit to ₹843 crore.

BUY

Why

- Strength in domestic business
- Asthma drug approval to aid exports
- Attractive valuation

Did you know?

Cipla is the leader in the inhaler segment in India, with a market share of about 70 per cent.

Company -