

CIPLA - Domestic Performs But Export Falts

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Abstracts

We reiterate our Market Perform rating on Cipla after it's below than expected earnings. We had expected 90% EPS growth due to generic Lexapro under 180-day exclusivity and a favorable forex. Export formulations grew by a moderate 23% despite significant contribution from generic Lexapro and a favorable forex. Part of the export growth deficit was arrested by a stupendous 30% increase in the domestic formulations. Going forward, the company expects to sustain 17-18% growth in domestic formulations.

Going forward, we do not expect Vancomycin to be a significant opportunity given Akorn's (Cipla's marketing partner) inability to gain meaningful market share. We continue to believe that Cipla's growth remains impacted due to its back ended business model. We also are not enthused about Cipla's inhaler opportunity as it lags behind its competitors in major markets.

We increase our domestic formulation sales to 21% from 12% and decrease our export formulation sales to 7.1% from 25% resulting into an insignificant change in the earnings. We thus reiterate our Market Perform rating with a target price of Rs.340.

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