

**RESEARCH****CIPLA | TARGET: Rs 1,754 | +13% | HOLD**

Conditional launch of gAbraxane likely in FY25

**CEMENT**

Lull continues, prices listless; 2H demand green shoots in sight

**SUMMARY****CIPLA**

- Goa plant receiving VAI likely to speed up gAbraxane launch in FY25E. In its 2QFY25 earnings call CIPLA said this would be delayed to H1FY27
- gAbraxane's launch could increase EBITDA margin to an all-time high of 27%/28% in FY26E/FY27E against 24-25% currently
- With a speedy gAbraxane launch likely, we raise EPS by 3%/10%/10% in FY25E/FY26E/FY27E, and upgrade the stock to HOLD (earlier SELL)

[Click here for the full report.](#)

**CEMENT**

- Cement prices in Sep'24 fell by 12% YoY but stayed flat MoM as the monsoon had a relatively extended spell
- Non-trade prices weakened in many regions, though trade prices were listless, thus widening the gap between trade and non-trade prices
- Meaningful price hikes are likely only post the festival season (Diwali) on the back of genuine demand revival

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**HOLD**  
 TP: Rs 1,754 | ▲ 13%

CIPLA

| Pharmaceuticals

| 31 October 2024

## Conditional launch of gAbraxane likely in FY25

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**Unexpected positive regulatory surprise:** The Goa plant which was cGMP (current Good Manufacturing Practices) inspected between 10 and 21 June 2024 by the USFDA has received a VAI (Voluntary Action Indicated). This VAI status comes after a long haul as the plant has had a Warning Letter (WL) since 2020. CIPLA’s Goa plant contributes ~10% of its US sales. Currently, out of nine manufacturing units, only the Pithampur plant has an OAI while the rest are cleared.

**gAbraxane launch likely in FY25E:** gAbraxane’s launch was conditional on the Goa plant’s clearance, which now paves the way for its launch. It was delayed for the past two years and in recent commentary guided for a further delay till H1FY27. We believe the launch can be brought forward to FY25.

**gAbraxane – one-player market:** Currently only one player (Sandoz in partnership with Jiangsu Hengrui) has launched gAbraxane in the US market. CIPLA would be the second player. Since there is only one player in the generic version, we believe this is a good opportunity for CIPLA to launch the product. Since it is a complex oncology product, it would take longer for other players to enter the market.

**gAbraxane launch to result in highest-ever margin:** We believe gAbraxane to be a US\$ 600mn-800mn opportunity which could result in sales of US\$ 20mn in FY25E, US\$ 90mn in FY26E and US\$ 80mn in FY27E from a one-player market for CIPLA. We believe this product could increase EBITDA margin to 27% in FY26 and 28% in FY27 which would be its highest ever.

**Upgrade stock to HOLD:** Due to muted earnings and supply issues in Lanreotide and delays in key launches, we had downgraded the stock to SELL. However, as conditions for the gAbraxane launch have been eased, we bake in gAbraxane numbers into our estimates which result in an EPS upgrade of 3%/10%/10% in FY25/FY26/FY27. Hence, we ascribe a higher P/E of 25x (five-year average of 23x), and roll forward our valuations to Sep’26, with a new TP of Rs 1,754 (from Rs 1,312).

Foram Parekh

research@bobcaps.in

### Key changes

	Target	Rating
	▲	▲

Ticker/Price	CIPLA IN/Rs 1,552
Market cap	US\$ 14.9bn
Free float	65%
3M ADV	US\$ 35.6mn
52wk high/low	Rs 1,702/Rs 1,165
Promoter/FPI/DII	33%/26%/24%

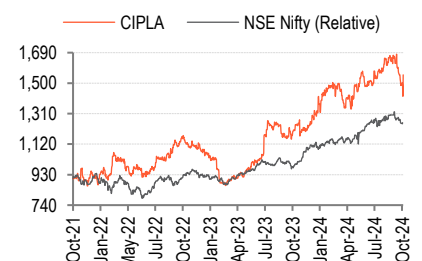
Source: NSE | Price as of 31 Oct 2024

### Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	257,741	268,664	294,972
EBITDA (Rs mn)	62,911	68,356	79,604
Adj. net profit (Rs mn)	43,164	46,223	54,360
Adj. EPS (Rs)	53.6	57.4	67.5
Consensus EPS (Rs)	53.6	57.4	64.1
Adj. ROAE (%)	17.5	16.3	16.5
Adj. P/E (x)	29.0	27.0	23.0
EV/EBITDA (x)	19.4	17.7	14.8
Adj. EPS growth (%)	44.6	7.1	17.6

Source: Company, Bloomberg, BOBCAPS Research

### Stock performance



Source: NSE




**CEMENT**

31 October 2024

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Milind Raginwar  
 research@bobcaps.in

**Cement prices listless MoM as efforts to hike prices yield little success:** All India cement prices in Oct'24 were ~12% lower YoY at Rs 327/bag compared to Rs 372/bag in Oct'23 (Rs 330/bag in Sep'24). Our channel checks indicate price hike attempts gained little success though tepid demand put pressure on the non-trade segment as prices weakened due to slack demand.

**Non-trade segment a mixed bag; trade segment listless:** Cement prices in the trade segment stayed listless and reverted after the initial jump in the earlier part of the month. However, the gap between trade and non-trade prices widened (from Rs 30/bag earlier) to ~Rs 50/bag in excess-supply regions like Chhattisgarh, Rajasthan and Telangana, while in other regions trade and non-trade prices converged as activity was very weak in the non-trade segment owing to price weakness. Prices fell by Rs 10-20/bag in the non-trade segment in excess-supply regions. Overall demand stayed dull due to an extended wet spell and the onset of festivals.

**South and East India remain under pricing pressure:** Cement prices fell the most in East and South India by 19%/20% YoY ahead of the All-India average decline of ~12%. The prices in the eastern region fell by 3% MoM too. This was followed by North and West that fell by ~7% each YoY. Central India fell by 6% YoY but was the only region to gain MoM albeit by 1%, thus remaining the best option. Demand was flat in many regions due to pre-festive buying but weakened in the second fortnight due to monsoon and labour drying up closer to the Diwali festival.

**Demand reversal expected post festivities, aid prices:** Our channel checks (23 across the country) indicate firmly that genuine price hikes in the trade and non-trade segment will be operational only post festivities (mid-November). The cement demand season can continue strongly till May 2025 as per early indications.

**No change in stance on the sector:** We maintain our positive stance on UTCHEM, and retain our HOLD ratings on JKCE and ACEM. We maintain our HOLD rating on SRCM with a positive bias. There is no change in our negative stance on TRCL and JKLC and we maintain our SELL ratings.



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**BUY** – Expected return >+15%

**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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