

THE COMPASS

Unfolding US respiratory portfolio a boost for Cipla

Improving growth in North America will complement strong domestic sales

UJJVAL JAUHARI

Cipla's shares gained more than 5 per cent to close at ₹600 on Monday, even as leading indices plunged 3.6 per cent. Though its March quarter (Q4) results, which were announced on Friday after market hours, fell short of expectations, the unfolding respiratory portfolio in the US market is boosting the firm's prospects and Street sentiment.

The latest development is the filing for a respiratory product — Advair generics — in the world's largest health care market. Cipla had recently announced successful completion of Phase-3 trials for the generic version of the product in its first attempt. The annual sales of the brand-

ed product (of the innovator firm) in North America is estimated at \$3 billion. The filing of Advair generics thus adds significant visibility to Cipla's medium-term growth profile, and more filings are expected from the inhalation pipeline, say analysts.

Moreover, being a complex product, and considering that Cipla's Advair generics will be launched at least two years before the entry of the next competitor, it should deliver high margins and keep driving the firm's earnings.

The respiratory Albuterol generic, recently launched by Cipla, too, is seen as a \$30-35 million per annum opportunity in FY21 and FY22, according to analyst estimates.

Improving US prospects

will compliment the firm's robust domestic growth, and it is due to this reason that even as Cipla had seen an impact of the Covid-19-led disruption on its export supplies in Q4, analysts remain bullish on the company.

"Cipla's respiratory product pipeline for US generics is shaping up well, providing growth visibility over the next two to three years," said analysts at Motilal Oswal Securities, as they believe efforts to improve synergies across the prescription, trade generics, and consumer portfolios for the India business have started to yield results.

The firm's domestic sales, contributing 40 per cent to the top line, had grown 12 per cent in Q4. While export sales were

soft, which impacted margins too, the Africa business performance remains healthy.

Analysts at Kotak Institutional Equities have increased their fair value for the stock to ₹650 after results, looking at increasing medium-term earnings visibility, signs of improving execution in India, strong build-up of its US drug pipeline (with albuterol's launch and another inhaler filed in Q4FY20).

Those at HDFC Securities, too, estimate robust earnings growth of 22 per cent annually, and an expansion of 350 basis point to return on capital employed during FY20-22. A positive outcome with respect to the progressing remediation of Cipla's Goa plant can be an added trigger.

