

CIPLA QUALITY CHEMICAL INDUSTRIES LIMITED

Unaudited Summary Financial Statements for the six months period ended 30 September 2023

The Directors of Cipla Quality Chemical Industries Limited ("CiplaQCIL" or "the Company") present the unaudited summary interim financial statements for the six months period ended 30 September 2023.

Summary Statement of Profit or Loss and Other Comprehensive Income

	6 months period ended 30 Sep 2023 (unaudited) US\$ '000	6 months period ended 30 Sep 2022 (unaudited) US\$ '000
Revenue	121,192,767	120,047,208
Cost of sales	(90,247,409)	(83,539,725)
Gross profit	30,945,358	36,507,483
Other income	32,944	136,688
General and administrative expenses	(24,826,720)	(27,188,044)
(Impairment)/reversal of impairment allowance on trade receivable	(334,151)	9,445,709
Operating profit	5,817,431	18,901,836
Finance income	2,534,320	3,873,453
Finance costs	(1,183,698)	(652,707)
Profit before tax	7,168,053	22,122,582
Taxation	(3,608,380)	(8,263,857)
Profit for the year	3,559,674	13,858,725
Other comprehensive income	-	-
Total comprehensive profit for the year	3,559,674	13,858,725
Basic and diluted earnings per share (US\$)	0.97	3.79

Summary Statement of Financial Position

	At 30 Sep 2023 (unaudited) US\$ '000	At 31 Mar 2023 (Audited) US\$ '000
ASSETS		
Non-current assets		
Property, plant, equipment and right-of-use assets	63,166,291	67,339,505
Capital work-in-progress	5,548,904	3,022,079
Intangible assets	686,478	901,412
	69,401,673	71,262,996
Current assets		
Inventories	56,946,254	66,335,779
Trade and other receivables	31,142,494	62,951,599
Income tax recoverable	-	2,104,114
Cash in hand and at bank	60,281,010	10,812,571
	148,369,758	142,204,063
TOTAL ASSETS	217,771,431	213,467,059
EQUITY AND LIABILITIES		
EQUITY		
Share capital	45,648,865	45,648,865
Capital grant	2,275,000	2,275,000
Proposed dividend	-	9,129,773
Retained earnings	117,918,501	114,358,827
	165,842,366	171,412,465
LIABILITIES		
Non-current liabilities		
Deferred tax liability	1,037,545	1,074,232
Lease liabilities	214,809	67,462
	1,252,354	1,141,694
Current liabilities		
Term loan	-	5,400,750
Lease liabilities	105,815	49,816
Trade and other payables	50,570,896	35,462,334
	50,676,711	40,912,900
TOTAL LIABILITIES	51,929,065	42,054,594
TOTAL EQUITY AND LIABILITIES	217,771,431	213,467,059

Summary Statement of Changes in Equity

	Share capital US\$ '000	Capital grant US\$ '000	Proposed dividend US\$ '000	Retained earnings US\$ '000	"Total equity" US\$ '000
Balance as at 1 April 2022 (Audited)	45,648,865	2,275,000	7,303,818	104,501,882	159,729,565
Total comprehensive income for the 6 months' ended 30 September 2022					
Profit for the period	-	-	-	13,858,725	13,858,725
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	45,648,865	2,275,000	7,303,818	118,360,607	173,588,290
Transaction with owners of the Company					
Dividend paid	-	-	(7,303,818)	-	(7,303,818)
Total distributions	-	-	(7,303,818)	-	(7,303,818)
Balance as at 30 September 2022 (Unaudited)	45,648,865	2,275,000	-	118,360,607	166,284,472
Balance as at 1 April 2023 (Audited)	45,648,865	2,275,000	9,129,773	114,358,827	171,412,465
Total comprehensive income for the 6 months' ended 30 September 2023					
Profit for the period	-	-	-	3,559,674	3,559,674
Other comprehensive income	-	-	-	-	-
At 30 September 2023	45,648,865	2,275,000	9,129,773	117,918,501	174,972,139
Transaction with owners of the Company					
Dividend paid	-	-	(9,129,773)	-	(9,129,773)
Total distributions	-	-	(9,129,773)	-	(9,129,773)
Balance as at 30 September 2023 (Unaudited)	45,648,865	2,275,000	-	117,918,501	165,842,366

Summary Statement of Cash Flows

	6 months period ended 30 Sep 2023 (unaudited) US\$ '000	6 months period ended 30 Sep 2022 (unaudited) US\$ '000
Operating activities		
Profit before tax	7,168,053	22,122,582
Adjustment for:		
- Impairment allowance on financial assets	334,151	(9,445,709)
- Depreciation	5,091,015	4,531,191
- Amortisation	241,625	239,945
- Provision for obsolete stock	311,525	245,956
- Gain on sale of property, plant and equipment	-	(101,739)
- Interest expense	247,375	599,999
- Interest Income	(854,054)	(350,409)
	12,539,690	17,841,816
Changes in:		
- Inventories	9,077,999	13,711,030
- Trade and other receivables	30,268,628	21,336,091
- Trade and other payables	15,058,973	(24,154,460)
Cash generated from operating activities	66,945,290	28,734,477
Interest paid	(247,375)	(449,210)
Tax paid	(285,036)	(2,023,794)
Net cash generated from operating activities	66,412,879	26,261,473
Cash flows from investing activities		
Interest received	854,054	200,795
Proceeds from sale of property, plant and equipment	-	101,738
Purchase of property, plant and equipment	(213,296)	(3,048,278)
Additions to capital work-in-progress	(2,986,941)	(2,341,595)
Net cash used in investing activities	(2,346,183)	(5,087,340)
Cash flows from financing activities		
Dividends paid	(9,129,773)	(7,303,818)
Repayment of term loan	(5,400,750)	(14,063,875)
Repayment of lease liability	(67,734)	(102,689)
Net cash used in financing activities	(14,598,257)	(21,470,382)
Net change in cash in hand and at bank	49,468,439	(296,249)
Cash and cash equivalents at start of year	10,812,571	8,486,203
Cash in hand and at bank at 30 September	60,281,010	8,189,954

Basis of preparation

The unaudited summary interim financial statements of the Company for the six months ended 30 September 2023 were prepared in accordance with IAS 34 Interim Financial Reporting. The interim summary financial statements do not include all the information and disclosures required in audited annual financial statements and should be read in conjunction with the Company's annual audited financial statements for the year ended 31 March 2023.

Revenue

Revenue in H1 FY24 grew by 1% compared to H1 FY23.

Strong momentum was experienced in most customer segments in H1 FY24 compared to H1 FY23. Orders from sovereign customers grew by US\$ 13.9 billion or 19%, while those from Institutional bodies grew by US\$ 5.7 billion or 32% compared to H1 FY23. Uganda private sector sales grew by US\$ 1.7 billion or 52% compared to H1 FY23.

The gains in these customer segments were offset by a significant decline in the Contract Manufacturing segment which declined by US\$ 19.9 billion or 80%, owing to softening demand from Cipla Ltd and uncertainty regarding the timing of the closing of the sale of Cipla Ltd's shareholding in the Company. As part of this sale, the Company and Cipla Group have entered into an agreement that will result in a continuation of this segment for at least the next three years. The Company has been advised that the sale is now unconditional and is expected to be completed in mid-November.

Profit for the period

Gross profit margins declined from 30% in H1 FY23 to 26%, mainly due to a change in product mix. The proportion of ACTs in total sales grew from 20% in H1 FY 23 to 57% in H1 FY24 while that of ARVs reduced from 78% to 40% over the same period.

In H1 FY23, the Company collected an impaired trade receivable of US\$ 9.4 billion from the GoZ which improved the performance of that period compared to H1 FY24. Normalizing for this once-off event will lead to profit before tax for H1 FY23 of US\$ 12.7 billion.

Despite the improved cost management compared to H1 FY23, profit before tax reduced to US\$ 7.2 billion in H1 FY24 from US\$ 22.1 billion in H1 FY23.

The term loan was repaid in H1 FY24, reducing interest expense by 58.8% from US\$ 0.6 billion in H1 FY23 to US\$ 0.2 billion H1 FY24. The balance of the finance costs in both periods was mainly due to the movement in foreign currency exchange rates against the Uganda Shilling.

Cash flow

Net cash from operating activities increased from US\$ 26.3 billion in H1 FY23 to US\$ 66.4 billion in H1 FY24, mainly due to improved collections from customers in the export segment. Net cash was also affected by a delay in remitting a dividend of US\$ 4.2 billion pending the conclusion of the majority shareholder sale transaction.

Net cash used in investing activities of US\$ 2.4 billion (H1 FY23: US\$ 5.1 billion) was largely relating to maintenance.

Net cash used in financing activities of US\$ 14.6 billion (H1 FY23: US\$ 21.5 billion) resulted from settlement of the loan balance and part payment of the approved dividend.

Outlook

The Board and Management are committed to ensuring improved financial performance of the Company in H2 FY24 by continuous cost management and prospecting for more business.

Abbreviations

CiplaQCIL	Cipla Quality Chemical Industries Limited
Cipla Ltd	Cipla Limited
Cipla Group	Cipla Limited (incorporated in India) together with its subsidiaries
ACTs	Artemisinin-based Combination Therapies
ARVs	Anti-RetroViral treatments
FY23	Financial year ended 31 March 2023
FY24	Financial year ending 31 March 2024
GoZ	Government of the Republic of Zambia
H1	Period from 1 April to 30 September
H2	Period from 1 October to 31 March
Mar	March
Sep	September

A copy of the summary unaudited financial statements can be obtained from CiplaQCIL's registrars; M/s Uganda Securities Exchange Nominees Ltd, located at 4th Floor, Block A, UAP Nakawa Business Park, Plot 3-4 New Port Bell Road and website: www.ciplaqci.co.ug

The summary interim financial statements were approved by the Board of Directors on 15 November 2023.


Emmanuel Katongole
Executive Chairman


Ajay Kumar Pal
Chief Executive Officer