

Cipla Quality Chemical Industries Ltd

ANNUAL RESULTS

For the year ended 31st March 2022

CARING FOR LIFE

CiplaQCI

ACCESS TO QUALITY AFFORDABLE MEDICINES



AJAY KUMAR PAL
CEO CiplaQCI

At Cipla Quality Chemical Industries Limited (CiplaQCIL), we are not just mere manufacturers of medicine. What we make are memories. Memories that may not have been there to be remembered, had a life not been lived. We make people better and we save lives.

15% ↑
Treatments delivered
14 million
(2021: 12 million)

7% ↑
Gross Margin
26%
(2021: 19%)

Over 100% ↑
EBITDA
Ugx. 48 billion
(2021: Ugx. 1 billion)

Over 100% ↑
PAT
Ugx. 24 billion
(2021: Loss of Ugx. 11 billion)

What have been the highlights of the past year?

A We live our purpose of providing quality, affordable medicines to patients underpinned by our ethos of caring for life and ensure our staff are always safe.

Our main goal for this year was to return to profitability and create value for our shareholders. Despite the COVID-19 pandemic and the impact of the geopolitical situation on cost of doing business, the greatest achievement was returning to a profitable position. It is the first time since listing on the Uganda Securities Exchange that we have registered a net profit.

Our Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) rose to US\$ 48 billion compared to the previous year's position of US\$ 1 billion.

We improved our fundamentals of doing business and it reflects in our performance. Excluding the impact of Zambia collection, EBITDA was US\$ 29 billion.

Signing of a Memorandum of Understanding with Government of Uganda to set up an anti-cancer product manufacturing facility, was an important step and highlight which will contribute to future growth and service to humanity.

The Company further boosted its product range by launching 2 locally manufactured therapies outside HIV, Malaria and Hepatitis B.

What has led to this performance and what has CiplaQCIL been doing differently in this financial year?

A It has been all about building a strong base from which we can grow.

We worked on three fronts; improving our gross margins, reducing our cost of operations and collection of overdue amounts and it reflects in our results

What does the return to profitability mean to the Company and stakeholders?

A Improved profitability translates into better value to our stakeholders and improved sustainability for the business. Return on equity rose to 15% recovering from a loss position in the previous year. Earnings per share closed at approximately US\$ 7 compared to a loss of about US\$ 3 in the previous year.

Subject to the approval of the shareholders, the directors recommend a dividend payment of US\$ 2 per ordinary share for the year ended 31 March 2022 (2021: Nil) totalling to US\$ 7.3 billion.

What are some of the challenges the company has faced in the past year?

A The biggest challenge was to retain customers that made emergency orders due to COVID 19 supply chain disruptions in their countries and we felt the impact on our revenue which declined slightly against last year from US\$ 285 billion in FY 2020-21 to US\$ 267 billion in FY 2021-22.

The second challenge is the increased cost of doing business due to Covid-19 and the geo-political situation.

What should the public and shareholders expect from CiplaQCIL in the next 12 months?

A We will continue to build on the profitability we achieved in FY 2021-2022. The Company has plans to diversify its portfolio with local manufacturing of new products in different therapeutic areas such as pain, anti-infectives, cardiovascular and diabetics which will be enablers for growth.

Market expansion especially in the export segment and the private sector will continue to be a focus area and construction of the anti-cancer plant will be another key priority in the coming year.

And we will continue to bring lifesaving treatment for patients in need, made in Africa for Africa.

We are ISO Certified



Best Practice in Reward and Recognition Award

Results Announcement

The Directors of Cipla Quality Chemical Industries Limited ("the Company" or "CiplaQCIL") are pleased to present the summary audited financial statements for the year ended 31 March 2022.

Independent auditor's report to members of Cipla Quality Chemical Industries Limited

Opinion

The summary financial statements, which comprise the statement of financial position as at 31 March 2022, the summary statements of profit or loss and other comprehensive income, summary statement of changes in equity and summary cash flows statement for the year then ended, and related notes and other disclosures are derived from the audited financial statements of Cipla Quality Chemical Industries Limited ("the Company") for the year ended 31 March 2022.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements in accordance with the Uganda Securities Exchange Listing Rules, 2021.

Summary financial statements

The summary financial statements do not contain all the disclosures as required by International Financial Reporting Standards and the Companies Act, 2012. Reading the summary financial statements and the auditors' report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 18 May 2022. That report also includes the communication of Key Audit Matters. Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended 31 March 2022.

Directors' responsibility for the summary financial statements

The directors are responsible for the preparation of the summary financial statements as described in the basis of preparation section of the summary financial statements.

Auditor's responsibilities for the summary financial statements

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Grant Thornton

Grant Thornton
Certified Public Accountants
18 May 2022
Kampala, Uganda

CIPLA QUALITY CHEMICAL INDUSTRIES LIMITED SUMMARY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | 2022 | 2021 |
|---|-------------------|---------------------|
| | US\$ '000 | US\$ '000 |
| Revenue | 267,432,354 | 284,539,939 |
| Cost of sales | (196,723,381) | (229,514,053) |
| Gross profit | 70,708,973 | 55,025,886 |
| Other income | 127,990 | 149,887 |
| General and administrative expenses | (51,726,786) | (51,646,048) |
| Reversal of impairment allowance / (impairment loss) on trade receivables | 20,207,101 | (9,061,502) |
| Operating profit/(loss) | 39,317,278 | (5,531,777) |
| Finance costs and finance income - net | (1,543,062) | (4,162,471) |
| Profit/(loss) before tax | 37,774,216 | (9,694,248) |
| Taxation | (13,723,615) | (843,995) |
| Profit/(loss) for the year | 24,050,601 | (10,538,243) |
| Other comprehensive income | - | - |
| Total comprehensive profit/(loss) for the year | 24,050,601 | (10,538,243) |
| Basic and diluted earnings/(loss) per share (US\$) | 6.59 | (2.89) |

CIPLA QUALITY CHEMICAL INDUSTRIES LIMITED
SUMMARY STATEMENT OF FINANCIAL POSITION

| | 2022 UShs '000 | 2021 UShs '000 |
|--|--------------------|--------------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant, equipment and right-of-use assets | 65,055,052 | 62,695,252 |
| Capital work-in-progress | 3,715,964 | 7,194,385 |
| Intangible assets | 1,332,567 | 1,226,370 |
| Deferred tax asset | 5,139,094 | 11,180,841 |
| | <u>75,242,677</u> | <u>82,296,848</u> |
| Current assets | | |
| Inventories | 80,391,616 | 68,808,084 |
| Trade and other receivables | 80,488,303 | 65,197,093 |
| Current income tax recoverable | 58,595 | 859,240 |
| Cash in hand and at bank | 8,486,203 | 9,064,768 |
| | <u>169,424,717</u> | <u>143,929,185</u> |
| TOTAL ASSETS | <u>244,667,394</u> | <u>226,226,033</u> |
| EQUITY AND LIABILITIES | | |
| EQUITY | | |
| Share capital | 45,648,865 | 45,648,865 |
| Capital grant | 2,275,000 | 2,275,000 |
| Retained earnings | 111,805,700 | 87,755,099 |
| | <u>159,729,565</u> | <u>135,678,964</u> |
| LIABILITIES | | |
| Non-current liabilities | | |
| Term loan | 18,888,375 | 24,472,000 |
| Lease liabilities | 137,536 | 248,453 |
| | <u>19,025,911</u> | <u>24,720,453</u> |
| Current liabilities | | |
| Term loan | 6,868,500 | 8,740,000 |
| Lease liabilities | 109,850 | 217,316 |
| Trade and other payables | 58,933,568 | 55,441,065 |
| Bank overdraft | - | 1,428,235 |
| | <u>65,911,918</u> | <u>65,826,616</u> |
| TOTAL LIABILITIES | <u>84,937,829</u> | <u>90,547,069</u> |
| TOTAL EQUITY AND LIABILITIES | <u>244,667,394</u> | <u>226,226,033</u> |

CIPLA QUALITY CHEMICAL INDUSTRIES LIMITED
SUMMARY STATEMENT OF CHANGES IN EQUITY

| | Share capital UShs '000 | Capital grant UShs '000 | Retained earnings UShs '000 | Total UShs '000 |
|---|----------------------------|----------------------------|--------------------------------|--------------------|
| At 1 April 2020 | 45,648,865 | 2,275,000 | 97,313,531 | 145,237,396 |
| Total comprehensive loss for the year | | | | |
| Loss for the year | - | - | (10,538,243) | (10,538,243) |
| Gain on purchase of Quality Chemicals Limited human pharmaceutical distribution business | - | - | 1,399,730 | 1,399,730 |
| Tax on gain from purchase of Quality Chemicals Limited human pharmaceutical distribution business | - | - | (419,919) | (419,919) |
| Other comprehensive income | - | - | - | - |
| At 31 March 2021 | 45,648,865 | 2,275,000 | 87,755,099 | 135,678,964 |
| At 1 April 2021 | 45,648,865 | 2,275,000 | 87,755,099 | 135,678,964 |
| Total comprehensive income for the year | | | | |
| Profit for the year | - | - | 24,050,601 | 24,050,601 |
| Other comprehensive income | - | - | - | - |
| At 31 March 2022 | 45,648,865 | 2,275,000 | 111,805,700 | 159,729,565 |

Basis of preparation

The summary financial statements of the Company for the year ended 31 March 2022 were prepared in accordance with the Uganda Securities Exchange Listing Rules, 2021. Section 45 of the Uganda Securities Exchange Listing Rules, 2021 requires every issuer within four months after the end of each financial year publish the annual financial statements for the relevant financial year. The summary financial statements are derived from the audited financial statements of the Company which are prepared in accordance with International Finance Reporting Standards (IFRS) and in a manner required by the Companies Act, 2012.

Financial Performance

Revenue

Sales for FY 2021-22 were UShs 267.4 billion

compared to UShs 284.5 billion in FY 2020-21. Reduction in sales was explained by non-recurrence of COVID-19 sale opportunities in the export segment after the pandemic came under control.

Excluding the impact of one-off COVID-19 sales, overall annual sales grew by 3% compared to FY 2020-21.

Local sales increased by 19% mainly due to additional orders received from Government of Uganda and the Global Fund. The benefit was increased by the full year impact of entry into the private market distribution segment compared to four months in FY 2020-21. This segment continued to grow with the increase in product range, favourable pricing, superior quality and focused distribution.

CIPLA QUALITY CHEMICAL INDUSTRIES LIMITED
SUMMARY CASH FLOWS STATEMENT

| | 2022 UShs '000 | 2021 UShs '000 |
|---|--------------------|---------------------|
| Operating activities | | |
| Profit/(loss) before tax | 37,774,216 | (9,694,248) |
| Adjustment for: | | |
| - Impairment allowance on financial assets | (20,207,101) | 9,061,502 |
| - Depreciation | 8,621,402 | 8,114,787 |
| - Deferred factory costs written off | - | 1,644,274 |
| - Amortisation | 449,770 | 296,215 |
| - Provision for obsolete inventories | 2,856,626 | 1,992,013 |
| - Gain on sale of property, plant and equipment | (33,898) | (33,898) |
| - Interest expense | 1,399,016 | 2,513,559 |
| | <u>30,860,031</u> | <u>13,894,204</u> |
| Changes in: | | |
| - Inventories | (14,440,157) | 1,789,219 |
| - Trade and other receivables | 4,327,436 | 16,703,353 |
| - Trade and other payables | 2,853,126 | (292,298) |
| | <u>23,600,436</u> | <u>32,094,478</u> |
| Cash generated from operating activities | <u>23,600,436</u> | <u>32,094,478</u> |
| Interest paid on bank overdraft | (296,257) | (1,698,673) |
| Interest paid on term loan | (1,058,854) | (753,561) |
| Payment of interest on lease liabilities | (43,905) | (61,325) |
| Tax paid | (6,301,922) | (2,043,427) |
| Net cash generated from operating activities | <u>15,899,498</u> | <u>27,537,492</u> |
| Cash flows from investing activities | | |
| Proceeds from sale of property, plant and equipment | 33,898 | 33,898 |
| Purchase of property, plant and equipment | (3,850,490) | (6,199,446) |
| Additions to capital work-in-progress | (3,652,291) | - |
| Purchase of intangible assets | (555,967) | (164,510) |
| Purchase of human drug business | - | (3,848,651) |
| Net cash used in investing activities | <u>(8,024,850)</u> | <u>(10,178,709)</u> |
| Cash flows from financing activities | | |
| Proceeds from term loan | - | 35,245,000 |
| Repayment of term loan | (6,811,500) | (1,743,250) |
| Repayment of lease liability | (213,478) | (224,653) |
| Net cash (used in)/from financing activities | <u>(7,024,978)</u> | <u>33,277,097</u> |
| Net change in cash and cash equivalents | <u>849,670</u> | <u>50,635,880</u> |
| Cash and cash equivalents at start of year | <u>7,636,533</u> | <u>(42,999,347)</u> |
| Cash and cash equivalents at end of year | <u>8,486,203</u> | <u>7,636,533</u> |

Exports in FY 2021-22 reduced by 37% as emergency orders received during the COVID-19 pandemic did not recur.

Gross profit margin increased to 27% in FY 2021-22 compared to 19% in FY 2020-21 partly due to the change in customer and product mix. The proportional growth in the higher margin private market distribution segment replaced the proportional drop in lower margin artemisinin-based combination therapies (ACTs). ACTs proportion in the mix was 21% to 25% in FY 2020-21 while that of private market distribution segment increased from 1% to 3%.

Impairment allowance on financial assets mainly comprised an allowance for receivables from Government of Zambia (GoZ). The Company has a receivable from GoZ of UShs. 25.2 billion (FY 2020-21: UShs 42.9 billion) which was fully provided for.

During the year, GoZ paid UShs. 19.3 billion (FY 2020-21: UShs 3.9 billion) and continues to acknowledge the unpaid balance of UShs. 23.2 billion.

Collection initiatives are continuing, and any receipts will improve the results of the period in which they are received.

General and administrative expenses reduced by 2% from UShs. 51.6 billion in FY 2020-21 to UShs. 50.8 billion.

In FY 2020-21, there was a one-off write-off of deferred factory construction consultancy costs amounting to UShs. 1.6 billion after the expansion plans were revised. There was no such write off in FY 2021-22, resulting in a cost reduction.

Reduction in selling costs resulting from lower exports in FY 2021-22 compared to FY 2020-21 further contributed to the drop in general and administrative expenses. Normal annual salary adjustments and

recording of retirement benefits in line with IFRS increased the cost and reduced the benefit of the cost reduction above.

Finance costs and income net movement is partly explained by the reduction of interest expense after reducing utilization of the overdraft facility and the loan balance. Borrowing levels reduced significantly following the improvement in cash inflows that resulted from profitable operations, reduction in overdue amounts from Zambia and enhanced credit management.

Dividends

Subject to approval by shareholders, the Directors recommend payment of a dividend of UShs. 2.0 (FY 2020-21: Nil) per share for the financial year ended 31 March 2022. The dividend shall be paid to shareholders registered in the books of the Company at close of business on 31st August 2022 and will be paid on 21st September 2022.

Message from the Directors

The above summary financial statements are derived from the Company's financial statements which were audited by Grant Thornton Certified Public Accountants, who issued an unqualified opinion. A copy of the audited financial statements can be obtained from CiplaQCIL's Registrar; M/s Uganda Securities Exchange Nominees Ltd located at 4th Floor, Block A, UAP Nakawa Business Park, Plot 3-4 New Port Bell Road, Kampala Uganda. The annual report and financial statements can be viewed on our website: www.ciplaqcil.co.ug in pdf format starting from 24 May 2022.

The financial statements were approved by the Board of Directors on 18 May 2022.


Emmanuel Katongole
Chairman


Ajay Kumar Pal
Chief Executive Officer