

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	CIPLA IN
Equity Shares (m)	808
M.Cap.(INRb)/(USDb)	1237.9 / 14.3
52-Week Range (INR)	1699 / 1307
1, 6, 12 Rel. Per (%)	4/2/2
12M Avg Val (INR m)	2767

Financials & Valuations (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Sales	275.5	285.6	313.3
EBITDA	71.3	69.2	75.8
Adj. PAT	50.7	49.8	53.1
EBIT Margin (%)	21.9	20.1	20.0
Cons. Adj. EPS (INR)	62.8	61.8	65.8
EPS Gr. (%)	19.6	-1.6	6.6
BV/Sh. (INR)	386.5	444.1	504.0
Ratios			
Net D:E	0.0	-0.1	-0.2
RoE (%)	16.2	13.9	13.1
RoCE (%)	18.3	15.0	14.1
Payout (%)	9.2	9.7	9.1
Valuations			
P/E (x)	24.4	24.8	23.3
EV/EBITDA (x)	17.1	17.1	15.3
Div. Yield (%)	0.3	0.3	0.3
FCF Yield (%)	2.6	3.3	2.3
EV/Sales (x)	4.4	4.1	3.7

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	29.1	29.1	30.9
DII	29.2	28.1	24.9
FII	25.4	26.4	27.9
Others	16.3	16.3	16.3

FII Includes depository receipts

CMP: INR1,533 **TP: INR1,580 (+3%)** **Neutral**

Product mix/cost control drives earnings beat

Stable earnings as pipeline scale-up offsets g-Revlimid erosion

- Cipla delivered revenue in line with estimates for 1QFY26. There was a 9%/7.5% beat on EBITDA/PAT for the quarter, led by an improved product mix and controlled opex.
- YoY growth in North America (NA) sales decelerated for the third consecutive quarter due to rising competition in g-Revlimid. However, new launches (g-Abraxane/Nilotinib) and the scale-up of g-Lanreotide contributed to incremental sales during the quarter.
- In One-India, consumer health and trade generics posted healthy YoY growth during the quarter. However, muted YoY growth in the prescription (Rx) segment impacted the overall India business performance.
- Cipla sustained its industry outperformance in the One-Africa business during the quarter, led by a scale-up in key therapies, tender wins, and new launches.
- Cipla's first biosimilar is set to launch soon in the US market, with the company implementing an in-licensing strategy in this segment over the medium term.
- We largely maintain our estimates for FY26/FY27. We value Cipla at 24x 12M forward earnings to arrive at a TP of INR1,580. We expect stable earnings over FY25-27. The reduced business contribution from g-Revlimid is expected to be offset by incremental gains from Cipla's product pipeline in the NA market. Cipla is also focusing on adding differentiated products to its Rx portfolio in India while improving its outlook in the consumer health segment.
- Given the gestation period required to translate these efforts into commercial success across key markets of NA/India, we reiterate our Neutral stance on the stock.

Modest revenue growth; cost pressures offset gross margin gains

- Cipla's 1QFY26 revenue increased 4% YoY to INR69.5b (in line).
- DF sales (44% of sales) grew 6% YoY to INR30.7b. SAGA sales (13% of sales) grew 25% YoY to INR8.7b.
- EM sales (12% of sales) were steady YoY at INR8.6b. API sales (1% of sales) grew 4% YoY to INR1b.
- US sales (28% of sales) declined 7% YoY to INR19b (USD226m, down 10% in CC terms).
- Gross margin expanded 160bp YoY to 68.8% (our est: 66.7%).
- However, EBITDA margin was stable YoY at 25.6% (our est: 25.4%), as gains from improved gross profit were offset by higher employee/R&D expenses (up 100bp/90bp YoY as a % of sales).
- EBITDA increased 4% YoY to INR17.8b (above our est. INR16.3b).
- PAT grew 10% YoY to INR13b (our est: INR12b).
- R&D spending for the quarter stood at INR4.2b (6.3% of sales).
- Net cash at the end of Jun'25 was INR108b.

Highlights from the management commentary

- Cipla maintained its EBITDA margin guidance of 23.5-24.5% for FY26.
- G-Revlimid sales in 1Q were similar to 4QFY25. In the short- to medium-term, the loss of business from g-Revlimid is expected to be more than offset by new product launches.
- Cipla aims to achieve revenue of USD1b in FY27.
- While YoY growth in the Rx segment in India was muted in 1QFY26, Cipla remains confident of delivering stronger growth over the next three quarters.
- Cipla recorded sales of g-Abraxane and Nilotinib for part of 1QFY26, with their full-scale launches expected soon.
- Cipla is not part of the first wave of sema launches in Canada.

Y/E March	Quarterly Performance (Consolidated)								(INRb)			
	FY25				FY26E				FY25	FY26E	Est.	% Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	1QE			
Net Revenues	66.9	70.5	70.7	67.3	69.6	73.6	71.8	70.6	275.5	285.6	69.3	0.3
YoY Change (%)	5.8	5.6	7.1	9.2	3.9	4.4	1.4	5.0	6.9	3.7	3.6	
Total Expenditure	49.8	51.7	50.8	51.9	51.8	55.3	55.4	53.9	204.2	216.4	53.0	
EBITDA	17.2	18.9	19.9	15.4	17.8	18.3	16.4	16.7	71.3	69.2	16.3	9.1
YoY Change (%)	14.9	8.8	13.8	16.9	3.6	-2.7	-17.7	8.9	13.3	-2.9	-5.0	
Margins (%)	25.6	26.7	28.1	22.8	25.6	24.9	22.8	23.7	25.9	24.2	23.5	
Depreciation	2.5	2.7	2.8	3.1	2.5	3.2	3.1	3.0	11.1	11.8	3.0	
EBIT	14.7	16.1	17.1	12.3	15.3	15.2	13.3	13.7	60.2	57.4	13.3	
YoY Change (%)	17.1	8.5	12.9	19.6	3.8	-6.0	-22.4	11.5	14.0	-4.7	-9.3	
Margins (%)	21.9	22.9	24.2	18.3	21.9	20.6	18.5	19.4	21.9	20.1	19.2	
Interest	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.6	0.5	0.1	
Other Income	1.6	1.9	1.5	2.9	2.6	2.3	2.3	2.4	7.9	9.5	1.8	
Profit before Tax	16.1	17.9	18.5	15.0	17.7	17.3	15.5	16.0	67.5	66.5	14.9	
One-time (expense)/income	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.7	0.0	0.0	
PBT after EO expense	16.1	17.9	19.2	15.0	17.7	17.3	15.5	16.0	68.2	66.5	14.9	18.5
Tax	4.4	4.8	3.3	2.8	4.8	4.2	3.9	4.1	15.3	16.9	2.8	
Rate (%)	27.0	27.0	18.0	18.6	27.0	24.0	25.0	25.5	22.7	25.4	19.0	
Minority Interest	0.0	0.0	0.1	0.0	-0.1	0.0	-0.1	-0.1	0.2	-0.3	0.0	
Reported PAT	11.8	13.0	15.7	12.2	13.0	13.2	11.7	12.1	52.7	49.8	12.1	7.5
Adj PAT	11.8	13.0	13.6	12.2	13.0	13.2	11.7	12.1	50.7	49.8	12.1	7.5
YoY Change (%)	18.3	10.9	14.0	40.6	10.2	1.0	-14.6	-1.3	19.6	-1.6	2.5	

E: MOFSL Estimates

Y/E March	Key performance Indicators (Consolidated)								(INR b)		
	FY25				FY26E				FY25	FY26E	Est. FY26
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	1QE		
INRm											
Domestic formulation	29.0	29.5	31.5	26.2	30.7	32.1	33.7	28.6	116.1	125.1	26.3
YoY Change (%)	4.5	4.7	10.0	8.5	5.9	9.0	7.0	9.0	6.9	7.7	9.0
North America	20.9	19.9	19.1	19.2	19.3	17.9	15.6	18.1	79.0	71.1	18.4
YoY Change (%)	14.5	5.2	-0.5	2.3	-7.4	-9.7	-17.9	-5.4	5.3	-10.0	-1.8
South Africa	7.0	10.7	9.8	10.2	8.7	12.0	10.8	11.4	37.6	42.9	9.3
YoY Change (%)	-7.1	7.6	18.0	20.3	25.3	12.0	11.0	12.0	22.9	14.2	22.4
Emerging market	8.5	8.1	8.2	9.0	8.6	9.2	9.2	10.0	33.7	37.0	8.6
YoY Change (%)	9.0	9.8	10.5	20.6	1.4	14.6	11.4	11.3	9.3	9.6	3.9
API	1.0	1.6	1.3	1.8	1.0	1.5	1.6	1.7	5.7	5.8	1.4
YoY Change (%)	-27.9	8.8	18.0	-3.7	4.1	-5.0	25.0	-9.0	-2.6	2.0	-26.5
Cost Break-up											
RM Cost (% of Sales)	32.8	32.4	32.0	32.5	31.2	33.2	34.5	34.0	32.4	33.2	33.3
Staff Cost (% of Sales)	17.8	17.1	16.9	18.3	18.9	17.8	18.1	18.2	17.5	18.2	17.3
R&D Expenses(% of Sales)	5.3	5.5	5.1	6.3	6.2	6.1	5.8	5.7	5.3	6.3	5.4
Other Cost (% of Sales)	18.5	18.3	17.8	20.0	18.2	18.0	18.0	18.8	18.6	18.3	18.6
Gross Margins(%)	67.2	67.6	68.0	67.5	68.8	66.8	65.5	66.0	67.6	66.8	66.7
EBITDA Margins(%)	25.6	26.7	28.1	22.8	25.6	24.9	22.8	23.7	25.9	24.2	25.4
EBIT Margins(%)	21.9	22.9	24.2	18.3	21.9	20.6	18.5	19.4	21.9	20.1	21.3

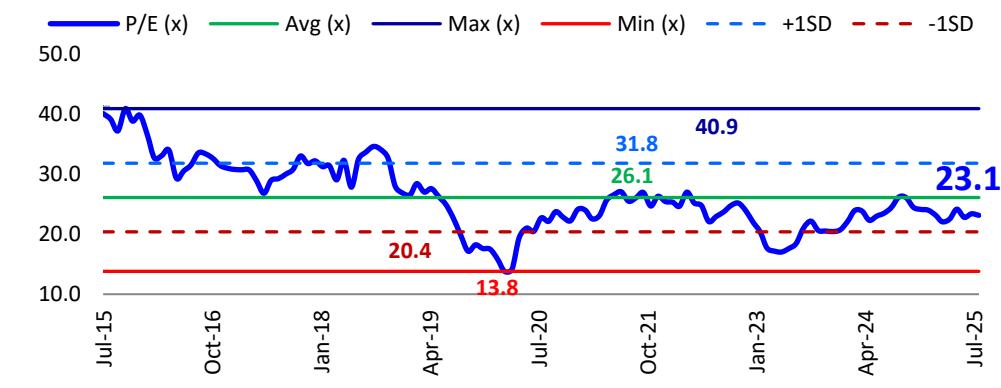
E: MOFSL Estimates



Highlights from the management commentary

- G-Lanreotide sales have already matched the average quarterly sales prior to disruption in this product.
- Given Cipla's already established institutional channel, it will be able to market biosimilar filgrastim effectively. The company intends to enhance the pipeline through in-licensing, while its own biosimilar products are expected to be launched in FY29-30. Cipla plans to invest USD100m in the biosimilar segment over the next 2-3 years.
- Cipla witnessed healthy growth in the consumer health segment. Further investment into products and channels would improve growth momentum in this segment.
- Cipla's portfolio includes products such as a triple combination in respiratory segment, positioning it to outperform the industry over medium term.
- Cipla holds a share of 61.5% in the chronic segment of India's Rx market.
- One-India will benefit from PLI as well as export incentives in the quarter.
- For g-Abraxane, there are currently two authorized generics (AGs), one ANDA-approved player, and one 505b2-approved player. Cipla remains confident of securing a reasonable share in this product.
- Net cash at the end of 1QFY26 was INR108b.

Exhibit 1: P/E Chart



Differentiated market-specific products to drive growth

NA: Market share gains/enriching pipeline to offset g-Revlimid impact and improve outlook

- Cipla started NA sales for FY26 on a weak note, with sales declining 10% YoY to USD226m for the quarter. However, it has been able to maintain the sales run-rate on a QoQ basis.
- The launch of g-Abraxane/Nilotinib, scale-up in Lanreotide, and stable sales of g-Revlimid have helped sustain the sales run rate on a QoQ basis.
- Cipla is working on strengthening the NA pipeline in the inhaler/peptide space. Notably, the company has built a biosimilar franchise through the combination of: a) in-licensing products over the medium term, and b) developing its own products pipeline.
- In the near term, additional products such as g-Advair (FY26), g-symbicort, and few inhalation assets (FY27) are expected to drive sales in the NA segment.
- Accordingly, we expect NA sales to remain stable at USD917m over FY25-27.

India: Trade generics/consumer health on steady growth path; Rx growth to revive soon

- In Q1FY26, Cipla's sales grew 6% YoY in the Indian business. The YoY growth was modest despite a low base of Q1FY25, where it delivered a 4.5% YoY growth.
- The slower industry momentum in respiratory and anti-infectives therapies impacted the Rx segment's growth for the quarter. This was offset to some extent by a strong growth in therapies like Urology, Cardiac, and Anti-diabetes.
- Cipla's trade generics segment delivered healthy growth, supported by improved execution in key therapies and technological enhancements.
- Cipla launched seven new products in Q1FY26 and marked its entry into the Orthopaedics segment to broaden therapy coverage. It is also setting up a dedicated team to drive triple combination launches in the respiratory portfolio.
- With its anchor brands of Nicotex, Omnidex, and Cipladine, Cipla is able to maintain a leadership position in its consumer health segment.
- Overall, we expect a 9% sales CAGR in this segment over FY25-27, reaching INR138b.

One Africa: Established presence/superior execution to sustain better-than-industry performance

- In Q1FY26, Cipla's One Africa business grew 25% YoY to INR8.7b. The company holds the highest number of brands (seven) among the top 30 in the African generics market.
- Specifically, it grew 6.8% YoY in the prescription segment vs. industry growth of 4.8% YoY. Cipla grew 3.3% YoY in the OTC segment, much above the industry growth of 1.8% YoY.
- Cipla posted a healthy performance across key therapies like Respiratory, CNS, and Anti-infectives. This growth was propelled by an uptick in key therapies, tender wins, and five new launches across multiple therapies.
- Considering its strong positioning in Africa and its resilience in the industry, we expect a 10% sales CAGR in this segment over FY25-27, reaching INR45b.

Valuation and view

- We largely maintain our estimates for FY26/FY27. We value Cipla at 24x 12M forward earnings to arrive at a TP of INR1,580. We expect stable earnings over FY25-27. The reduced contribution from g-Revlimid is expected to be offset by incremental gains from Cipla's product pipeline in the NA market. Cipla is also focusing on adding differentiated products to its Rx portfolio in India while improving its outlook in the consumer health segment.
- Given the gestation period required to translate these efforts into commercial success across key markets of NA/India, we reiterate a Neutral stance on the stock.

Story in charts

Exhibit 2: Revenue up 4% YoY in 1QFY26

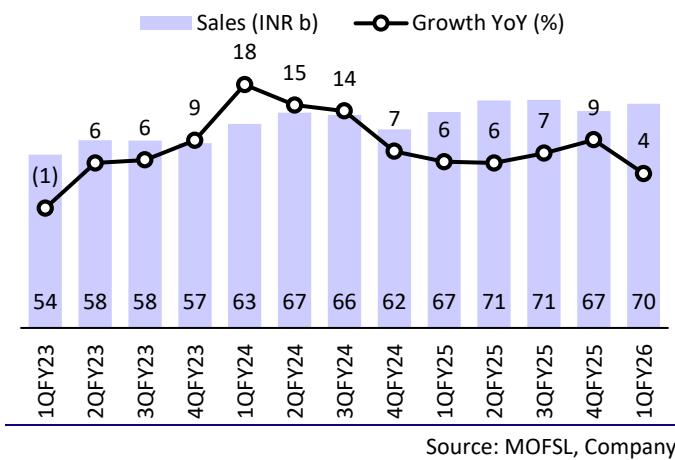


Exhibit 3: EBITDA margin stable YoY in 1QFY26

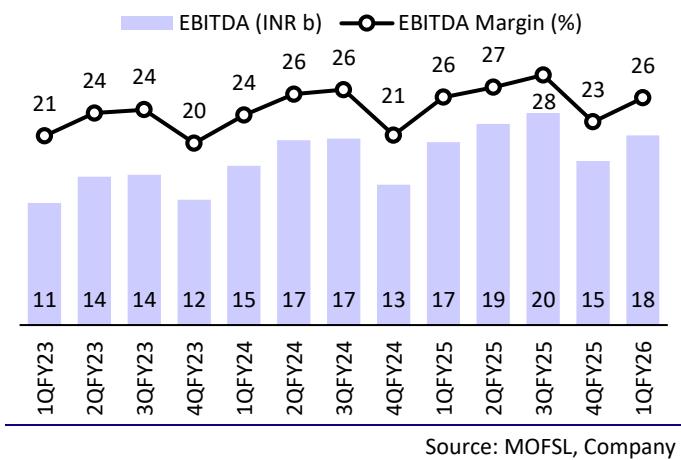


Exhibit 4: Expect ~9% DF sales CAGR over FY25-27

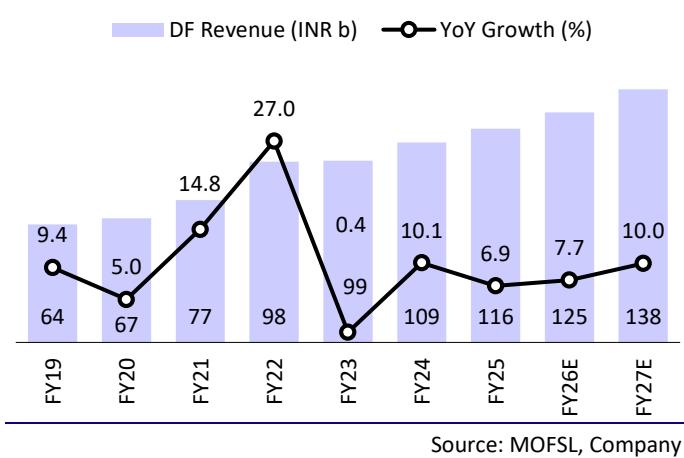


Exhibit 5: Expect 5% export sales CAGR over FY25-27

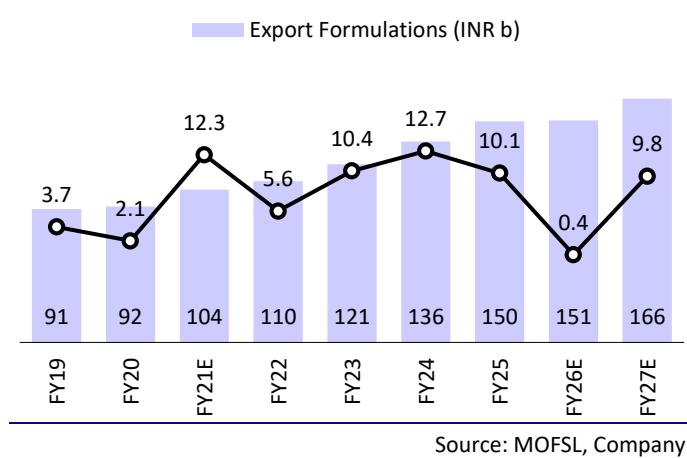


Exhibit 6: EBITDA margin to contract 170bp over FY25-27

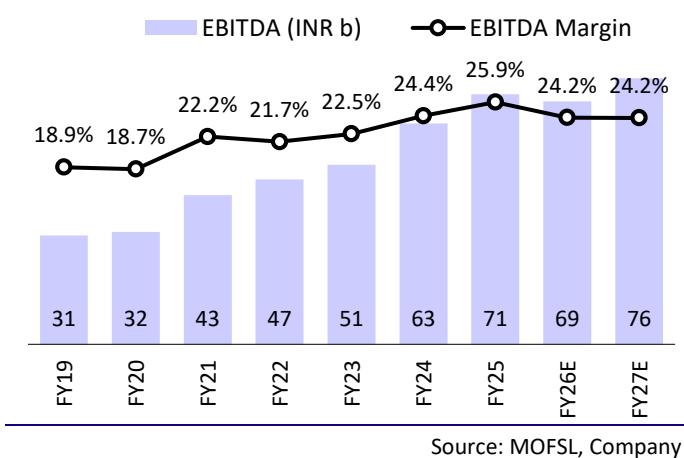
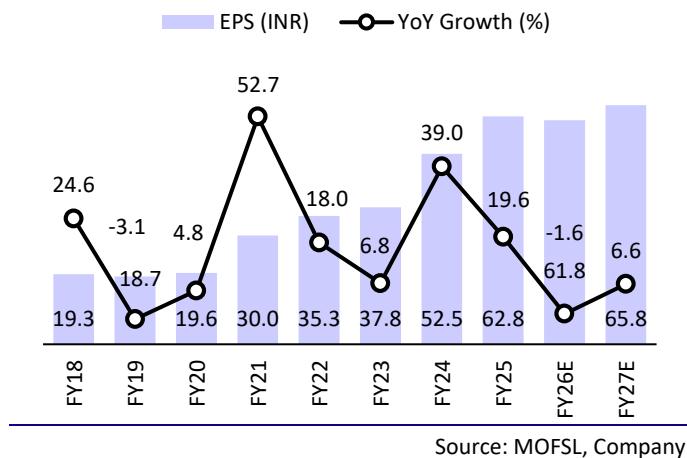


Exhibit 7: Expect stable earnings over FY25-27



Financials and valuations

Income Statement								(INRb)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Income	171.3	191.6	217.1	227.5	257.7	275.5	285.6	313.3
Change (%)	4.7	11.8	13.3	4.8	13.3	6.9	3.7	9.7
EBITDA	32.1	42.5	47.0	51.1	62.9	71.3	69.2	75.8
Margin (%)	18.7	22.2	21.7	22.5	24.4	25.9	24.2	24.2
Depreciation	11.4	10.7	10.5	11.7	10.1	11.1	11.8	13.2
EBIT	20.6	31.8	36.5	39.4	52.8	60.2	57.4	62.6
Int. and Finance Charges	2.0	1.6	1.1	1.1	0.9	0.6	0.5	0.3
Other Income - Rec.	3.4	2.7	2.8	4.5	6.2	7.9	9.5	9.1
PBT before EO Items	22.1	32.9	38.2	42.8	58.2	67.5	66.5	71.4
One-time (Expense)/Income	0.3	0.0	3.3	2.5	1.1	-0.7	0.0	0.0
PBT	21.8	32.9	34.9	40.4	57.0	68.2	66.5	71.4
Tax	6.3	8.9	9.3	12.0	15.5	15.3	16.9	18.2
Tax Rate (%)	29.0	27.0	26.7	29.8	27.1	22.4	25.4	25.5
Minority Interest	-0.5	-0.2	0.3	0.3	0.3	0.0	-0.4	0.0
Income from associates	-0.5	-0.1	-0.1	0.0	0.0	-0.2	-0.1	-0.1
Profit after Tax	15.5	24.1	25.2	28.0	41.2	52.7	49.8	53.1
Change (%)	1.2	55.5	4.6	11.3	47.1	27.9	-5.5	6.6
Margin (%)	8.8	12.4	11.4	12.1	15.6	18.6	16.9	16.5
Adj PAT	15.8	24.1	28.4	30.5	42.4	50.7	49.8	53.1

Balance Sheet								(INRb)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Reserves	157.6	179.3	201.5	232.5	265.5	310.3	356.9	405.2
Net Worth	157.6	183.3	208.4	234.1	267.1	311.9	358.5	406.8
Loans	28.2	15.4	9.0	5.9	3.3	2.0	1.9	1.9
Deferred Liabilities	1.3	-0.2	-2.0	-2.9	-4.0	-5.9	-5.9	-5.9
Minority interest	2.9	2.6	2.8	3.1	1.0	1.0	1.0	1.0
Capital Employed	190.0	201.0	218.1	240.1	267.3	309.0	355.4	403.7
Gross Block	138.5	147.5	160.1	166.8	179.7	195.4	210.4	218.6
Less: Accum. Deprn.	38.9	49.5	60.1	71.8	81.9	92.9	104.8	117.9
Net Fixed Assets	99.6	97.9	100.1	95.0	97.8	102.5	105.7	100.7
Capital WIP	4.2	5.7	3.8	6.9	8.6	12.1	5.1	6.1
Investments	3.6	3.5	4.2	6.3	7.6	7.5	7.5	7.5
Curr. Assets	126.8	141.2	158.3	177.1	207.3	245.6	306.3	365.0
Inventory	43.8	46.7	53.5	51.6	52.4	56.4	59.8	71.3
Account Receivables	38.9	34.5	34.2	40.6	47.7	55.1	58.3	67.0
Cash and Bank Balance	10.0	14.0	19.3	15.6	8.7	8.0	44.7	67.8
Others	34.1	46.1	51.3	69.3	98.4	126.1	143.6	158.8
Curr. Liability & Prov.	44.2	47.3	48.4	49.9	54.0	58.8	69.2	75.6
Account Payables	34.8	36.5	36.2	37.1	37.8	41.6	52.0	58.4
Provisions	9.5	10.8	12.2	12.9	16.1	17.2	17.2	17.2
Net Current Assets	82.6	93.9	109.9	127.2	153.3	186.8	237.1	289.4
Appl. of Funds	190.0	201.0	218.1	240.1	267.3	309.0	355.4	403.7

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Adjusted EPS	19.6	30.0	35.3	37.8	52.5	62.8	61.8	65.8
Cash EPS	33.7	43.1	48.2	52.3	65.0	76.5	76.4	82.1
BV/Share	195.5	227.2	258.1	284.2	330.9	386.5	444.1	504.0
DPS	2.5	2.5	3.0	3.0	4.0	5.0	5.0	5.0
Payout (%)	15.6	10.0	11.5	10.3	9.4	9.2	9.7	9.1
Valuation (x)								
P/E	78.0	51.1	43.3	40.5	29.2	24.4	24.8	23.3
Cash P/E	45.4	35.6	31.8	29.3	23.6	20.0	20.0	18.6
P/BV	7.8	6.7	5.9	5.4	4.6	4.0	3.4	3.0
EV/Sales	7.3	6.4	5.6	5.3	4.7	4.4	4.1	3.7
EV/EBITDA	38.8	28.9	25.9	23.8	19.4	17.1	17.1	15.3
Dividend Yield (%)	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3
FCF per Share	25.8	36.7	32.8	26.0	34.9	39.9	49.9	35.1
Return Ratios (%)								
RoE	10.2	14.1	14.5	13.3	15.9	16.2	13.9	13.1
RoCE	8.8	12.9	13.7	13.5	17.0	18.3	15.0	14.1
RoIC	8.2	13.3	14.5	13.8	17.0	17.8	14.8	15.0
Working Capital Ratios								
Fixed Asset Turnover (x)	1.3	1.3	1.4	1.4	1.5	2.8	2.7	3.0
Debtor (Days)	83	66	58	65	68	73	74	78
Inventory (Days)	93	89	90	83	74	75	76	83
Creditors (Days)	49	39	42	39	35	38	36	38
Working Capital (Days)	128	115	105	108	107	110	114	123
Leverage Ratio (x)								
Current Ratio	2.9	3.0	3.3	3.5	3.8	4.2	4.4	4.8
Debt/Equity	0.1	0.0	0.0	0.0	0.0	0.0	-0.1	-0.2

Cash Flow Statement

(**INRb**)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Profit before Tax & Extraordinary Items	21.8	32.9	36.8	42.2	59.0	71.3	69.2	75.8
Interest/Dividends Recd.	1.4	1.0	0.3	-0.5	-1.3	-2.0	9.5	9.1
Direct Taxes Paid	-8.5	-10.4	-11.4	-13.0	-16.0	-16.7	-16.9	-18.2
(Inc)/Dec in WC	3.7	3.7	-1.8	-5.6	-8.1	-6.7	-13.6	-29.1
CF from Operations	30.7	37.6	33.3	32.4	41.3	47.4	48.3	37.6
others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CF from Oper. incl EO Expense	30.7	37.6	33.3	32.4	41.3	47.4	48.3	37.6
(inc)/dec in FA	-9.9	-7.9	-6.8	-11.4	-13.2	-15.1	-8.0	-9.2
Free Cash Flow	20.8	29.6	26.4	21.0	28.2	32.2	40.3	28.4
(Pur)/Sale of Investments	12.1	-12.4	1.7	-8.9	-14.3	-21.8	0.0	0.0
Other Items	-1.1	-3.4	-13.5	-3.5	-2.4	0.1	0.0	0.0
CF from Investments	1.1	-23.7	-18.6	-23.8	-29.8	-36.9	-8.0	-9.2
Inc/(Dec) in Debt	2.6	0.7	0.3	0.0	0.0	-0.9	-0.1	0.0
Interest Paid	-1.6	-1.2	-0.8	-0.7	-0.6	-0.4	-0.5	-0.3
Dividend Paid	-5.6	0.0	-4.0	-4.0	-6.9	-10.5	-4.8	-4.8
Others Items	-24.8	-11.9	-11.6	-4.9	-4.5	-1.2	1.8	-0.1
CF from Fin. Activity	-29.5	-12.4	-16.0	-9.6	-12.0	-12.9	-3.6	-5.2
Inc/Dec of Cash	2.3	1.4	-1.3	-1.0	-0.5	-2.5	36.7	23.1
Add: Beginning Balance	6.2	10.0	14.0	19.3	15.6	8.7	8.0	44.7
Bank balances and FX impact	1.5	2.6	6.6	-2.7	-6.4	1.7	0.0	0.0
Closing balance	10.0	14.0	19.3	15.6	8.7	8.0	44.7	67.8

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NOTES

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UNDER REVIEW	Rating may undergo a change
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