

We upgrade Cipla to ADD from Reduce, nudging up our TP by ~7% to Rs1,450 from Rs1,350. While Cipla's 4QFY26 EBITDA margin performance was weaker than street/our expectations, the silver lining was the meaningful beat in gross margin. Even as the domestic sales beat primarily came on the back of in-licensed brands, this has notably been the nature of Cipla's domestic growth profile over the last 2 years (and is likely to continue in FY27 too). US sales were in line with our expectations and, to that extent, offer a clearer picture around the ex-Lanreotide, ex-gRevlimid quarterly revenue base (no negative surprise here was good news, in our view). Our negative thesis on Cipla has, for a long time, partly hinged on our contention that the path to inhalation approvals for Cipla is likely to be long-winded. Notably, all the inhalation and peptide assets in the pipeline are a part of the street's and our FY27/28 estimates. While the risk of further cuts in consensus earnings is not yet behind us (the management's FY27 EBITDA margin guidance range of 18.5-20% also reflects this risk), stress-testing our FY28 US sales and overall earnings estimates for further delay in key product approvals suggests limited downside from CMP. More importantly, catching the bottom of Cipla's stock price hereon will be extremely challenging once the new product approval momentum sets in. We roll forward to FY28E earnings and introduce FY29 estimates.

US sales in line with expectations; domestic sales marginally ahead

US sales at USD155mn were in line with our expectations. Overall domestic sales were marginally ahead of expectations, with branded prescription (driven by brands in-licensed from Pfizer) as well as consumer health sales being ahead of our estimates. Trade generic growth (double-digit) was broadly in-line. Gross margin at 65.6% was ~280bps ahead.

KTAs from the earnings call

1) Aims to achieve quarterly US revenue run rate of ~USD250mn by the end of FY27; expects to deliver market-beating double-digit domestic growth in FY27/28 (partly aided by an adverse acute seasonality in the base). 2) EBITDA margin will be higher in 2HFY27 vs 1H; the FY27 guidance does not factor in Lanreotide sales. 3) The company has identified an alternative supplier for Lanreotide based in the US, with a filing expected by early CY27. 4) 40-50 products will be filed in the US over the next three years; these include 12 first-to-file and eight 505(b)(2) opportunities; 4 respiratory assets (2 with green propellant), 3 peptides, and 1 oligonucleotide asset will be filed within the next 24 months. 5) gVentolin will be launched in 1QFY27, with a ramp-up expected in 2HFY27; does not expect gVentolin to cannibalize the sales of gProventil, nor does it see any near-term impact of the innovator switching to a green propellant version of Ventolin. 6) Cipla's US facility has recently undergone a PAI for gAdvair and the company expects an approval in FY27; new launches will help address the cost-revenue mismatch for its US facilities.

Target Price – 12M	Mar-27
Change in TP (%)	7.4
Current Reco.	ADD
Previous Reco.	REDUCE
Upside/(Downside) (%)	9.2

Stock Data	CIPLA IN
52-week High (Rs)	1,673
52-week Low (Rs)	1,166
Shares outstanding (mn)	807.8
Market-cap (Rs bn)	1,072
Market-cap (USD mn)	11,205
Net-debt, FY27E (Rs mn)	(103,870.6)
ADTV-3M (mn shares)	1.7
ADTV-3M (Rs mn)	2,330.2
ADTV-3M (USD mn)	24.3
Free float (%)	70.6
Nifty-50	23,412.6
INR/USD	95.7

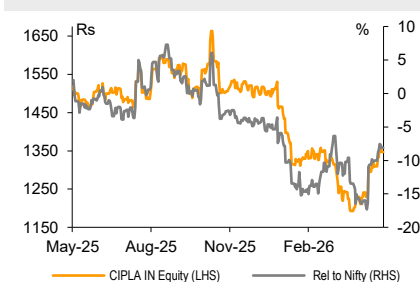
Shareholding, Mar-26

Promoters (%)	29.1
FPIs/MFs (%)	22.5/31.9

Price Performance

(%)	1M	3M	12M
Absolute	9.6	(0.3)	(12.5)
Rel. to Nifty	11.6	8.5	(8.1)

1-Year share price trend (Rs)



Cipla: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	275,476	281,626	310,639	337,753	367,071
EBITDA	71,279	59,249	61,971	69,852	78,254
Adj. PAT	50,499	41,972	42,284	47,906	54,114
Adj. EPS (Rs)	62.5	52.0	52.3	59.3	67.0
EBITDA margin (%)	25.9	21.0	19.9	20.7	21.3
EBITDA growth (%)	13.3	(16.9)	4.6	12.7	12.0
Adj. EPS growth (%)	17.0	(16.9)	0.7	13.3	13.0
RoE (%)	17.4	12.8	11.8	12.2	12.6
RoIC (%)	21.6	15.7	14.7	15.9	17.4
P/E (x)	21.2	25.6	25.4	22.4	19.8
EV/EBITDA (x)	14.3	17.2	16.4	14.6	13.0
P/B (x)	3.4	3.1	2.9	2.6	2.4
FCFF yield (%)	3.1	(0.3)	1.9	2.8	3.3

Source: Company, Emkay Research

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Exhibit 1: Cipla - 4QFY26 earnings snapshot

Cipla - P&L	4QFY25A	4QFY26A	YoY chg	4QFY26E	Delta vs Emkay	4QFY26E (consensus)	Delta vs consensus	3QFY26A	QoQ chg
<i>(Rs mn)</i>									
Net Sales	65,977	64,643	-2%	66,444	-3%			69,630	-7%
Other operating income	1,320	769	-42%	1,172	-34%			1,115	-31%
Total operating income	67,297	65,412	-3%	67,617	-3%	67,012	-2%	70,745	-8%
Expenses									
Raw material costs	21,890	22,487	3%	25,170	-11%			26,321	-15%
Gross Profit	45,407	42,925	-5%	42,447	1%			44,424	-3%
- Margin	67.5%	65.6%	-185 bps	62.8%	285 bps			62.8%	283 bps
Staff costs	12,331	14,143	15%	13,342	6%			13,250	7%
Other operating expenses	17,700	18,813	6%	18,312	3%			18,624	1%
EBITDA	15,376	9,970	-35%	10,793	-8%	11,060	-10%	12,551	-21%
- EBITDA Margin	22.8%	15.2%	-761 bps	16.0%	-72 bps	16.5%	-126 bps	17.7%	-250 bps
Other income	2,895	1,482	-49%	2,667	-44%			2,063	-28%
Finance costs	140	131	-6%	144	-9%			140	-6%
Depreciation	3,087	3,829	24%	3,011	27%			2,784	38%
Profit Before Tax (PBT)	15,043	7,491	-50%	10,304	-27%			11,690	-36%
Tax	2,793	1,570	-44%	2,960	-47%			2,186	-28%
% Tax rate	18.6%	21.0%	239 bps	28.7%	-778 bps			18.7%	226 bps
Minority interest	(77)	(121)		(13)				(16)	
Share of Profit (+) / Loss (-) of associates	(109)	(76)		(6)				(3)	
Adjusted PAT	12,218	5,967	-51%	7,350	-19%	7,161	-17%	9,517	-37%
Adjusted EPS (Rs)	15.1	7.4	-51%	9.1	-19%			11.8	-37%
Cost ratios (%)									
	4QFY25A	4QFY26A	YoY chg	4QFY26E	Delta vs Emkay			3QFY26A	QoQ chg
Raw Material costs	32.5	34.4	185 bps	37.2	-285 bps			37.2	-283 bps
Staff costs	18.3	21.6	330 bps	19.7	189 bps			18.7	289 bps
Mfg and Other expenses	26.3	28.8	246 bps	27.1	168 bps			26.3	244 bps
Sales Break-up									
	4QFY25A	4QFY26A	YoY chg	4QFY26E	Delta vs Emkay			3QFY26A	QoQ chg
Domestic formulations	26,220	30,070	15%	29,467	2%			34,570	-13%
US	19,190	14,140	-26%	14,494	-2%			14,850	-5%
Africa	10,190	12,360	21%	10,908	13%			10,010	23%
Europe and EM	8,950	8,190	-8%	9,777	-16%			9,290	-12%
API	1,820	640	-65%	1,799	-64%			1,440	-56%
Total income	67,297	65,412	-3%	67,617	-3%			70,745	-8%

Source: Company, Bloomberg, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Exhibit 2: Changes in estimates

Rs mn	FY27E			FY28E		
	Old	New	Change	Old	New	Change
Domestic	140,205	141,255	1%	153,665	154,533	1%
US	73,273	74,053	1%	80,233	81,088	1%
Africa	44,721	46,300	4%	47,851	49,541	4%
Europe and EM	40,708	38,263	-6%	43,761	41,133	-6%
API	6,206	5,994	-3%	6,517	6,294	-3%
Net sales	305,112	305,866	0%	332,027	332,589	0%
Gross profit	190,695	195,754	3%	208,513	213,855	3%
- margin	62.5%	64.0%	150bps	62.8%	64.3%	150bps
EBITDA	62,180	61,971	0%	70,121	69,852	0%
- margin	20.0%	19.9%	-8bps	20.8%	20.7%	-8bps
Net profit	43,920	42,284	-4%	49,467	47,906	-3%
EPS (Rs)	54.4	52.3	-4%	61.3	59.3	-3%

Source: Emkay Research

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Cipla: Consolidated Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	275,476	281,626	310,639	337,753	367,071
Revenue growth (%)	6.9	2.2	10.3	8.7	8.7
EBITDA	71,279	59,249	61,971	69,852	78,254
EBITDA growth (%)	13.3	(16.9)	4.6	12.7	12.0
Depreciation & Amortization	11,070	12,110	13,837	14,989	16,141
EBIT	60,210	47,139	48,133	54,863	62,113
EBIT growth (%)	14.9	(21.7)	2.1	14.0	13.2
Other operating income	4,022	4,509	4,774	5,164	5,598
Other income	7,949	8,820	9,376	10,202	11,302
Financial expense	620	544	497	455	416
PBT	67,538	55,416	57,012	64,610	72,999
Extraordinary items	2,226	(3,179)	0	0	0
Taxes	16,854	13,538	14,823	16,799	18,980
Minority interest	33	175	175	175	175
Income from JV/Associates	(219)	(81)	(81)	(81)	(81)
Reported PAT	52,725	38,792	42,284	47,906	54,114
PAT growth (%)	27.9	(26.4)	9.0	13.3	13.0
Adjusted PAT	50,499	41,972	42,284	47,906	54,114
Diluted EPS (Rs)	62.5	52.0	52.3	59.3	67.0
Diluted EPS growth (%)	17.0	(16.9)	0.7	13.3	13.0
DPS (Rs)	13.0	16.0	14.0	16.0	18.0
Dividend payout (%)	20.8	30.8	26.7	27.0	26.9
EBITDA margin (%)	25.9	21.0	19.9	20.7	21.3
EBIT margin (%)	21.9	16.7	15.5	16.2	16.9
Effective tax rate (%)	25.0	24.4	26.0	26.0	26.0
NOPLAT (pre-IndAS)	45,185	35,623	35,619	40,599	45,963
Shares outstanding (mn)	808	808	808	808	808

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
PBT (ex-other income)	59,371	46,515	47,556	54,328	61,616
Others (non-cash items)	6,942	(8,980)	687	687	686
Taxes paid	(16,681)	(15,862)	(14,823)	(16,799)	(18,980)
Change in NWC	(11,272)	5,073	(10,635)	(8,092)	(8,724)
Operating cash flow	50,050	39,400	37,118	45,567	51,155
Capital expenditure	(19,007)	(42,214)	(17,500)	(17,500)	(17,500)
Acquisition of business	0	0	0	0	(1)
Interest & dividend income	-	-	-	-	-
Investing cash flow	(36,911)	(23,261)	(8,730)	(7,904)	(6,804)
Equity raised/(repaid)	1	-	0	0	0
Debt raised/(repaid)	(1,549)	1,659	(100)	(100)	(100)
Payment of lease liabilities	0	0	0	0	0
Interest paid	(620)	(544)	(497)	(455)	(416)
Dividend paid (incl tax)	(10,498)	(12,924)	(11,309)	(12,925)	(14,540)
Others	(261)	(528)	0	0	0
Financing cash flow	(12,928)	(12,337)	(11,906)	(13,480)	(15,056)
Net chg in Cash	211	3,802	16,482	24,183	29,295
OCF	50,050	39,400	37,118	45,567	51,155
Adj. OCF (w/o NWC chg.)	61,321	34,327	47,754	53,660	59,880
FCFF	31,043	(2,814)	19,618	28,067	33,655
FCFE	30,423	(3,358)	19,121	27,613	33,239
OCF/EBITDA (%)	70.2	66.5	59.9	65.2	65.4
FCFE/PAT (%)	57.7	(8.7)	45.2	57.6	61.4
FCFF/NOPLAT (%)	68.7	(7.9)	55.1	69.1	73.2

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	1,615	1,616	1,616	1,616	1,616
Reserves & Surplus	310,319	342,704	373,759	408,820	448,474
Net worth	311,935	344,320	375,374	410,436	450,090
Minority interests	958	883	708	533	358
Non-current liab. & prov.	(430)	(563)	(563)	(563)	(563)
Total debt	921	2,580	2,480	2,380	2,280
Total liabilities & equity	313,383	347,219	377,999	412,785	452,164
Net tangible fixed assets	48,139	55,867	58,963	61,276	62,808
Net intangible assets	46,329	63,946	63,512	62,709	61,536
Net ROU assets	-	-	-	-	-
Capital WIP	15,663	20,422	21,422	22,422	23,422
Goodwill	32,703	37,544	37,544	37,544	37,544
Investments [JV/Associates]	458	458	458	458	459
Cash & equivalents	80,931	89,868	106,350	130,534	159,829
Current & ex-cash	175,903	185,389	202,791	215,713	229,566
Current Liab. & Prov.	54,038	68,731	75,498	80,327	85,456
NWC (ex-cash)	121,864	116,658	127,293	135,386	144,110
Total assets	313,383	347,219	377,999	412,785	452,164
Net debt	(80,010)	(87,289)	(103,871)	(128,154)	(157,549)
Capital employed	313,383	347,219	377,999	412,785	452,164
Invested capital	216,332	236,470	249,768	259,371	268,454
BVPS (Rs)	386.2	426.3	464.7	508.1	557.2
Net Debt/Equity (x)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)
Net Debt/EBITDA (x)	(1.1)	(1.5)	(1.7)	(1.8)	(2.0)
Interest coverage (x)	109.9	102.9	115.7	143.1	176.5
RoCE (%)	23.3	16.9	15.8	16.4	17.0

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	21.2	25.6	25.4	22.4	19.8
P/CE(x)	17.4	19.8	19.1	17.1	15.3
P/B (x)	3.4	3.1	2.9	2.6	2.4
EV/Sales (x)	3.7	3.7	3.3	3.1	2.8
EV/EBITDA (x)	14.3	17.2	16.4	14.6	13.0
EV/EBIT(x)	16.9	21.6	21.1	18.5	16.4
EV/IC (x)	4.7	4.3	4.1	3.9	3.8
FCFF yield (%)	3.1	(0.3)	1.9	2.8	3.3
FCFE yield (%)	2.8	(0.3)	1.8	2.6	3.1
Dividend yield (%)	1.0	1.2	1.1	1.2	1.4
DuPont-RoE split					
Net profit margin (%)	18.3	14.9	13.6	14.2	14.7
Total asset turnover (x)	0.9	0.9	0.9	0.9	0.8
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	17.4	12.8	11.8	12.2	12.6
DuPont-RoIC					
NOPLAT margin (%)	16.4	12.6	11.5	12.0	12.5
IC turnover (x)	1.3	1.2	1.3	1.3	1.4
RoIC (%)	21.6	15.7	14.7	15.9	17.4
Operating metrics					
Core NWC days	161.5	151.2	149.6	146.3	143.3
Total NWC days	161.5	151.2	149.6	146.3	143.3
Fixed asset turnover	3.0	2.6	2.6	2.7	3.0
Opex-to-revenue (%)	41.7	45.1	44.6	44.2	43.8

Source: Company, Emkay Research

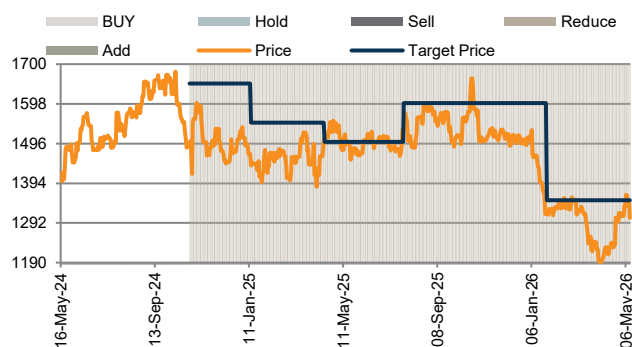
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RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
25-Jan-26	1,315	1,350	Reduce	Shashank Krishnakumar
31-Oct-25	1,501	1,600	Reduce	Shashank Krishnakumar
27-Jul-25	1,533	1,600	Reduce	Shashank Krishnakumar
26-Jun-25	1,514	1,500	Reduce	Shashank Krishnakumar
14-May-25	1,495	1,500	Reduce	Shashank Krishnakumar
17-Apr-25	1,515	1,500	Reduce	Shashank Krishnakumar
29-Jan-25	1,424	1,550	Reduce	Shashank Krishnakumar
13-Jan-25	1,439	1,550	Reduce	Shashank Krishnakumar
31-Oct-24	1,552	1,650	Reduce	Shashank Krishnakumar
30-Oct-24	1,418	1,650	Reduce	Shashank Krishnakumar
27-Oct-24	1,489	1,650	Reduce	Shashank Krishnakumar

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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