

Promising Pipeline, Maintain BUY

Est. Vs. Actual for Q1FY26: Revenue – **INLINE**; Abs. EBITDA – **INLINE**; PAT – **BEAT**
Changes in Estimates post Q1FY26.

FY26E/FY27E: Revenue: -1.0%/-0.2%; EBITDA Abs: -3.7%/-2.3% PAT: -2.9%/-1.5%

Recommendation Rationale

- The company's US revenue stood at \$226 Mn, reflecting a 9.6% YoY decline impacted by gRevlimid and a 2.3% increase QoQ on improved lanreotide sales.
- One India's segment grew 6% YoY, driven by muted therapies such as Respiratory. Chronic products. These now contribute 61.5% of revenue, continuing to outperform IPM growth, while the Acute segment remains affected by seasonal headwinds.
- The South Africa business expanded 30% YoY, aided by robust growth in the private market and OTC market.
- Gross margins improved 156 bps YoY and 133 bps QoQ, largely due to product mix changes. EBITDA margin stood at 25.6%, an improvement of 270 bps QoQ but flat on a YoY basis.
- Reported PAT came in at Rs 1,292 Cr, registering a 28.7% YoY increase, driven by higher other income and lower depreciation cost.

Sector Outlook: Positive

Outlook & Valuation: Cipla remains confident about its growth trajectory in FY26, focusing on regaining and outperforming market momentum across key segments. The company aims to accelerate commercial execution and new product launches in North America, while expanding margins in South Africa. In the domestic market, Cipla plans to strengthen its branded prescription and trade generics businesses, leveraging new launches and a restructured sales force to drive growth. The Emerging Markets and PMEU segments will focus on deepening penetration while maintaining margin stability.

Cipla has reiterated its FY26 EBITDA margin guidance between 23.5% and 24.5%, with specific margins for the full year to be finalised post-budget. Looking ahead, Cipla targets US revenues of approximately \$1 Bn by FY27, driven by a robust pipeline including respiratory, oncology, peptide, and biosimilar launches, with the latter expected mainly through partnerships in the near term and internal biosimilar assets anticipated around 2029–30. Additionally, the company views GLP-1 therapies as a potential key domestic growth driver from FY27 onwards.

Management remains cautiously optimistic, balancing near-term market dynamics with long-term strategic investments. Considering these factors, our target price remains unchanged at Rs 1,700/share. We maintain our BUY recommendation..

Current Valuation: PE 23x for FY27 earnings (Earlier Valuation: PE 23x FY27E)

Current TP: Rs 1,700/share (Earlier TP: Rs 1,700/share)

Recommendation: BUY

Financial Performance

Cipla's Q1FY26 results were in line with expectations, with revenue increasing 4% YoY. This was driven by a 6% growth in the India business, a 33.9% increase in the South African region, and an 11% rise in international markets, while North America saw a 7% decline due to gRevlimid competition and price erosion. US revenue stood at \$226 Mn. A recovery in sales is anticipated in H1FY26. Cipla has strengthened its position in Albuterol, reaching a market share of 21%.

Key Financials (Consolidated)

(Rs Cr)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	6,957	3.4	3.9	7,174	-3.0
EBITDA	1,778	15.6	3.6	1,771	0.4
EBITDA Margin	25.6%	271	-8	24.7%	
Net Profit	1,292	6.4	9.9	1,218	6.1
EPS (Rs)	16.0	6.4	9.9	15.1	6.1

Source: Company, Axis Securities Research

(CMP as of 25th July 2025)

CMP (Rs)	1,535
Upside /Downside (%)	11%
High/Low (Rs)	1,702/1,335
Market cap (Cr)	1,23,990
Avg. daily vol. (6m)Shrs.	20,00,000
No. of shares (Cr)	80.6

Shareholding (%)

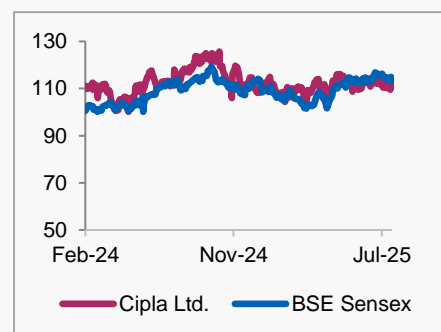
	Dec-24	Mar-25	Jun-25
Promoter	29.2	29.2	29.2
FII's	26.7	26.3	25.2
MFs / UTI	20.5	20.5	20.4
Banks / FI's	0.2	0.2	0.1
Others	23.5	23.8	25.0

Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	27,367	30,022	32,804
EBITDA	7,006	7,535	8,349
Net Profit	5,015	5,398	5,971
EPS (Rs)	62.2	66.9	74.0
PER (x)	24.5	22.7	23.0
P/BV (x)	3.9	3.4	3.3
EV/EBITDA (x)	17.1	15.6	15.4
ROE (%)	13.3	12.8	12.8

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-1.0%	-0.2%
EBITDA	-3.7%	-2.3%
PAT	-2.9%	-1.5%

Relative Performance


Source: Ace Equity

Aman Goyal
Research Associate
Email: aman.goyal@axissecurities.in

Financial Performance (Cont'd)

The India business delivered a healthy performance with 8.5% YoY growth, led by momentum in both branded prescription sales and trade generics. The chronic therapies segment continues to be a strong growth driver, now constituting approximately 61% of India revenue and outperforming IPM growth rates. However, the acute therapies segment faced seasonal headwinds, which tempered growth in the quarter.

Gross margins improved 156 bps YoY and 133 bps QoQ, largely due to product mix changes. EBITDA margin stood at 25.6%, an improvement of 270 bps QoQ but flat on a YoY basis. Reported PAT came in at Rs 1,292 Cr, registering a 28.7% YoY increase, driven by higher other income and lower depreciation cost.

Company Outlook & Recommendation

We expect Cipla to deliver solid growth across key markets. In North America, new launches like gAbraxane and gNilotinib are likely to support performance. Existing products such as gAlbuterol are scaling up well, with Cipla having supplied over 50 million inhaler units since launch. With increased capacity, the company is well-positioned to capture additional market share. Lanreotide has reached a 21.5% market share and is gradually progressing toward its target of 30–35%. gRevlimid is also expected to contribute meaningfully until its exclusivity ends in January 2026.

Cipla's upcoming pipeline remains strong, with multiple launches lined up for the second half of the year, including Symbicort in FY27 and other respiratory and inhalation products. The company is also expanding into biosimilars through a partnership and plans to invest \$100 Mn in a joint venture, with benefits expected to accrue from FY29–30.

In the Indian market, growth is expected to stay in line with the pharma industry average of around 8%. The South African business continues to perform well, driven by strong demand in the private and OTC segments.

We remain positive on the stock with a BUY rating and arrive at a target price of Rs 1,700 per share.

Key Risks to Our Estimates and TP

- The USFDA inspection and issuing of WL/OAI or 483 observations may impact the revenue growth
- Entry of new players may increase pricing pressure in the injectable portfolio
- Delay in launching Biosimilars in the market

Change in Estimates

(Rs Cr)	New		Old		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	30,022	32,804	30,330	32,875	-1.0%	-0.2%
EBITDA	7,535	8,349	7,825	8,547	-3.7%	-2.3%
PAT	5,398	5,971	5,560	6,060	-2.9%	-1.5%

Source: Company, Axis Securities Research

Results Review

Particulars (Rs Cr)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)
Net Sales	6694	7051	7073	6730	6957	3.9	3.4
Growth (%)	5.8%	5.6%	7.1%	9.2%	3.9%		
Total Expenditure	4978	5165	5084	5192	5179	4.0	-0.2
Gross Profit	4501	4768	4809	4541	4787	6.3	5.4
% of sales	32.8%	32.4%	32.0%	32.5%	31.2%		
Gross margins (%)	67.2%	67.6%	68.0%	67.5%	68.8%	156	133
Employee Expenses	1194	1208	1198	1233	1312	9.9	6.4
% of sales	17.8%	17.1%	16.9%	18.3%	18.9%		
Other Expenses	1591	1675	1622	1770	1696	6.6	-4.2
% of sales	23.8%	23.7%	22.9%	26.3%	24.4%		
EBITDA	1716	1886	1989	1538	1778	3.6	15.6
EBITDAM (%)	25.6%	26.7%	28.1%	22.8%	25.6%	-8	271
Interest	18	15	15	14	14	0.0	0.0
Depreciation	247	272	280	309	253		
Other Income	160	191	222	289	259	0.0	0.0
Exceptional Items	0	0	0	0	0		
PBT	1612	1789	1916	1504	1770	9.8	17.7
Tax	435	483	332	279	478		
Tax (%)	27.0%	27.0%	17.3%	18.6%	27.0%	0	0
Reported PAT	1177	1306	1584	1225	1292		
P/L Associate	-1	-1	-9	-11	0		
PAT	1176	1305	1575	1214	1292	9.9	6.4

Source: Company, Axis Securities Research

Geographical Breakup

Particulars (Rs Cr)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)
Exchange Rate \$/RS	83.5	83.8	84.3	86.8	86.2	3.2	-0.7
US Business (USD Millions)	250	237	226	221	226	-9.6	2.3
India (Rx + Gx + CHL)	2,898	2,948	3,146	2,622	3,070	6%	17.1%
North America	2,087	1,986	1,906	1,919	1,948	-7%	1.5%
SAGA	695	1,068	975	1,019	904	30%	-11.2%
South Africa	626	799	769	738	695	11%	-5.8%
International Markets	849	806	824	895	835	-2%	-6.7%
API	98	160	126	182	70	-29%	-61.8%
Others	65	82	96	92	139	114%	51.2%

Source: Company, Axis Securities Research

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
Total Net Sales	27,367	30,022	32,804	34,522
Growth (%)	6.2%	9.7%	9.3%	5.2%
Total Expenditure	20,361	22,486	24,456	25,702
Raw Material Consumed	8,922	9,847	10,760	11,289
Gross margins %	67.4%	67.2%	67.2%	67.3%
Employee Expenses	4,762	5,254	5,642	5,938
% of sales	17.4%	17.5%	17.2%	17.2%
Other Expenses	6,678	7,385	8,053	8,475
% of sales	24.4%	24.6%	24.6%	24.6%
EBIDTA	7,006	7,535	8,349	8,820
EBITDAM (%)	25.6%	25.1%	25.5%	25.6%
Interest	7,006	7,536	8,349	8,821
EBIT	5,908	6,391	7,111	7,513
EBITM (%)	21.6%	21.3%	21.7%	21.8%
Depreciation	1,098	1,144	1,238	1,308
Other Income	822	882	922	962
Associates Share(net)	0	0	0	0
Exceptional items, net	0	0	0	0
PBT	6,647	7,190	7,949	8,391
Tax Rate (%)	25.0%	25.0%	25.0%	25.0%
Tax	1,662	1,797	1,986	2,097
Reported PAT	5,015	5,398	5,971	6,302

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
Total assets	36,983	42,227	48,069	54,025
Net Block	4,244	3,800	3,262	2,654
CWIP	864	864	864	864
Investments	5,807	6,807	7,807	8,807
Working. cap. (excl. cash)	15,445	17,824	19,876	21,525
Cash / Bank balance	3,512	5,674	9,227	13,664
Misc. Assets	0	0	0	0
Capital employed	37,013	42,264	48,113	54,077
Equity capital	161	161	161	161
Reserves	30,970	35,682	40,967	46,583
Pref. Share Capital	0	0	0	0
Minority Interests	0	0	0	0
Borrowings	334	334	334	334
Def Tax Liabilities	0	0	0	0

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
PBT	6,647	7,190	7,949	8,391
Add: Depreciation	1,098	1,144	1,238	1,308
Add: Interest	83	83	83	83
Cash flow from operations	7,828	8,417	9,271	9,782
Change in working capital	1,059	1,989	1,262	779
Taxes	1,662	1,797	1,986	2,097
Miscellaneous expenses	0	0	0	0
Net cash from operations	5,107	4,631	6,023	6,907
Capital expenditure	-700	-700	-700	-700
Change in Investments	-1,000	-1,000	-1,000	-1,000
Net cash from investing	-1,700	-1,700	-1,700	-1,700
Increase/Decrease in debt	0	0	0	0
Dividends	-686	-686	-686	-686
Proceedings from equity	0	0	0	0
Interest	-83	-83	-83	-83
Others	0	0	0	0
Net cash from financing	-770	-770	-770	-770
Net Inc./(Dec.) in Cash	2,637	2,161	3,553	4,437
Opening cash balance	875	3,512	5,674	9,227
Closing cash balance	3,512	5,674	9,227	13,664

Source: Company, Axis Securities Research

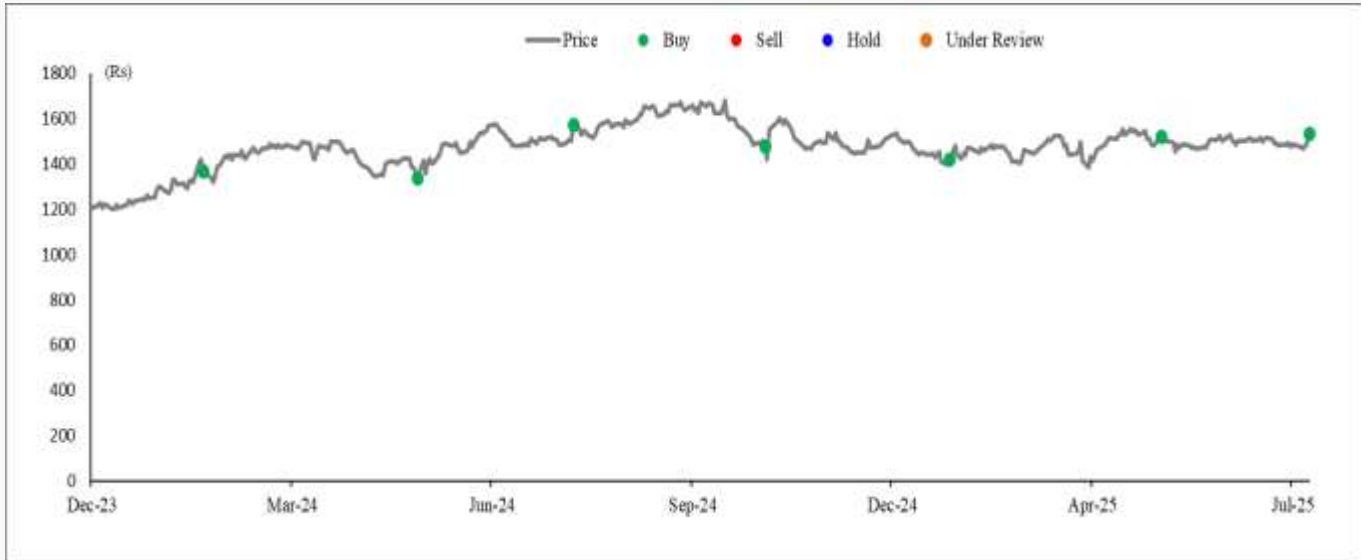
Ratio Analysis

(%)

Y/E March	FY25	FY26E	FY27E	FY28E
Sales growth	6.2	9.7	9.3	5.2
OPM	25.6	25.1	25.5	25.6
Oper. profit growth	11.4	7.6	10.8	5.6
COGS / Net sales	32.6	32.8	32.8	32.7
Overheads/Net sales	0.0	0.0	0.0	-
Depreciation / G. block	10.0	9.8	10.0	10.0
Effective interest rate	25.0	25.0	25.0	25.0
Net kg.cap / Net sales	0.0	0.0	0.0	0.0
Net sales / Gr block (x)	2.5	2.6	2.7	2.6
RoCE	19.0	17.8	17.3	16.1
Debt/equity (x)	0.0	0.0	0.0	0.0
Effective tax rate	25.0	25.0	25.0	25.0
RoE	16.1	15.1	14.5	13.5
Payout ratio (Div/NP)	425.2	425.2	425.2	425.2
EPS (Rs.)	62.2	66.9	74.0	78.1
EPS Growth	20.7	7.6	10.6	5.5
CEPS (Rs.)	75.8	81.1	89.4	94.3
DPS (Rs.)	8.5	8.5	8.5	8.5

Source: Company, Axis Securities Research

Cipla Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
28-Oct-23	BUY	1,380	Result Update
29-Jan-24	BUY	1,515	Result Update
13-May-24	BUY	1,515	Result Update
29-Jul-24	BUY	1,800	Result Update
30-Oct-24	BUY	1,700	Result Update
29-Jan-25	BUY	1,700	Result Update
14-May-25	BUY	1,700	Result Update
28-July-25	BUY	1,700	Result Update

Source: Axis Securities Research

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Compliance Officer Details: Name – Mr Rajiv Kejriwal, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Parc, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

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HOLD	Between 10% and -10%
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NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.