

Estimate change



TP change



Rating change



CMP: INR1,327

TP: INR1,380 (+4%)

Neutral

Weak US flow; strong India show

US growth to pick up from 2HFY27 onwards

	CIPLA IN
Bloomberg Equity Shares (m)	808
M.Cap.(INRb)/(USD\$b)	1072.4 / 11.2
52-Week Range (INR)	1673 / 1166
1, 6, 12 Rel. Per (%)	11/-3/-8
12M Avg Val (INR M)	2390

Financials & Valuations (INR b)

Y/E MARCH	FY26	FY27E	FY28E
Sales	281.6	304.1	347.0
EBITDA	59.2	56.9	70.3
Adj. PAT	40.9	37.9	48.4
EBIT Margin (%)	16.7	14.2	16.2
Cons. Adj. EPS (INR)	50.7	47.0	59.9
EPS Gr. (%)	-19.2	-7.3	27.5
BV/Sh. (INR)	426.6	471.5	525.4

Ratios

Net D:E	0.0	0.0	0.0
RoE (%)	11.9	10.0	11.4
RoCE (%)	12.8	10.7	12.2
Payout (%)	12.5	12.8	10.0

Valuations

P/E (x)	26.2	28.2	22.1
EV/EBITDA (x)	20.5	21.4	17.2
Div. Yield (%)	0.4	0.4	0.4
FCF Yield (%)	0.8	-0.7	0.2
EV/Sales (x)	4.3	4.0	3.5

Shareholding pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	29.1	29.1	29.1
DII	31.9	30.6	28.1
FII	22.8	24.2	26.4
Others	16.2	16.1	16.3

FII includes depository receipts

- Cipla (CIPLA) delivered in-line revenue for 4QFY26. However, it delivered 15%/31% miss on EBITDA/PAT for the quarter. Lower-than-expected revenue in North America (NA), Emerging Markets (EM), and API segment, coupled with reduced operating leverage, dragged overall performance for the quarter.
- The YoY decline in NA sales intensified in 4QFY26, supported by competition in g-Lenalidomide and adverse regulatory impact on the off-take of lanreotide.
- This was offset, to some extent, as the Indian business, comprising Domestic Formulation (DF), trade generics, and consumer wellness, reported a broad-based double-digit YoY growth during the quarter.
- The African business, comprising private markets, tender business, and North Africa, also grew at a healthy rate of 14% YoY (in CC terms) for the quarter.
- We have reduced our earnings estimate by 10% for FY27, factoring in: a) the ongoing regulatory issue with respect to Lanreotide for the US market, and b) the adverse impact of geopolitical tension in emerging markets and enhanced marketing/promotional spend.
- We value CIPLA at 23x 12M forward earnings to arrive at a TP of INR1,380. We expect earnings to remain under check due to a reduction in contribution from g-lenalidomide and some gestation period for the accruing of upcoming niche launches. Reiterate Neutral rating on the stock.

Product mix and reduced operating leverage drag profitability YoY

- CIPLA's 4QFY26 revenue declined 2.8% YoY to INR65.4b.
- Gross margin contracted 430bp YoY to 63.2%.
- EBITDA margin contracted 760bp YoY to 15.2% (our est. 17.4%), largely due to higher R&D/employee expenses (up 145/90bp as a % of sales).
- EBITDA declined 35.2% YoY to INR9.9b (our est. INR11.7b).
- Adj. PAT declined 53.6% YoY to INR5.7b (our est. INR8.2b). We await clarity on the sharp increase in depreciation/amortization in 4QFY26 (INR3.8b vs INR3b YoY and INR2.8b QoQ).
- Extraordinary items of INR420m include impairment of investment in associates.
- For FY26, CIPLA delivered 2.2% YoY growth in revenue to INR281.6b, while it delivered 17%/19% YoY decline in EBITDA/PAT to INR59.2b/INR40.9b.

Momentum in DF/SAGA offset by subdued performance in US/EM/API

- US sales (22% of sales) declined 26% YoY to INR14.1b (USD155m, down 30% in CC terms).
- EM sales (13% of sales) declined 8.5% YoY to INR8.2b.
- API sales (1% of sales) declined 65% YoY to INR640m.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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- DF sales (46% of sales) grew 14.7% YoY to INR30.1b.
- SAGA sales(19% of sales) grew 21.3% YoY to INR12.4b.

Key highlights from the management commentary

- US sales run-rate is expected to improve to USD250m per quarter by the end of FY27; this excludes Lanreotide's revival. The increase in run-rate from current USD155m (4QFY26) to USD250m is backed by certain potential launches (business prospects of USD100m each on an annualized basis).
- CIPLA has guided for 18-20% EBITDA margin in FY27, with 2H posting a higher EBITDA margin compared to 1H.
- Management indicated that the g-Ventolin off-take would be gradual, with ramp-up expected from 2HFY27 onwards.
- The company remains well-positioned to manufacture formulations at its US site and source devices from its partner.
- India is projected to witness double-digit YoY growth in revenue, which is likely to sustain in FY27 as well.

Quarterly Performance

Y/E March	(INR m)											
	FY25				FY26				FY25	FY26	Est. 4QE	% Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Revenues	66,939	70,510	70,730	67,297	69,575	75,894	70,745	65,412	275,476	281,626	67,086	-2.5
YoY Change (%)	5.8	5.6	7.1	9.2	3.9	7.6	0.0	-2.8	6.9	2.2	-0.3	
Total Expenditure	49,781	51,654	50,841	51,921	51,793	56,947	58,194	55,442	204,197	222,377	55,413	
EBITDA	17,158	18,856	19,889	15,376	17,781	18,948	12,551	9,970	71,279	59,249	11,673	-14.6
YoY Change (%)	14.9	8.8	13.8	16.9	3.6	0.5	-36.9	-35.2	13.3	-16.9	-24.1	
Margins (%)	25.6	26.7	28.1	22.8	25.6	25.0	17.7	15.2	25.9	21.0	17.4	
Depreciation	2,467	2,717	2,798	3,087	2,527	2,970	2,784	3,829	11,070	12,110	2,791	
Interest	180	154	146	140	141	132	140	131	620	544	100	
Other Income	1,602	1,906	1,546	2,895	2,586	2,690	2,063	1,482	7,949	8,820	2,100	
Profit before Tax	16,114	17,891	18,491	15,043	17,699	18,535	11,690	7,491	67,538	55,416	10,882	
One-time (expense)/income	0	0	670	0	0	0	-2,759	-420	670	-3,179	0	
PBT after EO expense	16,114	17,891	19,161	15,043	17,699	18,535	8,931	7,071	68,208	52,236	10,882	
Rate (%)	27.0	27.0	18.0	18.6	27.0	27.0	18.7	21.0	22.7	24.4	25.0	
Minority Interest	-13.5	34.9	132.1	31.8	-55.7	19.0	-12.4	-45.3	185.3	-94.4	-40.0	
Reported PAT	11,776	13,025	15,705	12,218	12,976	13,512	6,758	5,547	52,725	38,792	8,201	
Adj PAT	11,776	13,025	13,644	12,218	12,976	13,512	8,780	5,663	50,664	40,931	8,201	-30.9
YoY Change (%)	18.3	10.9	14.0	40.6	10.2	3.7	-35.6	-53.6	19.6	-19.2	-32.9	

Key performance Indicators

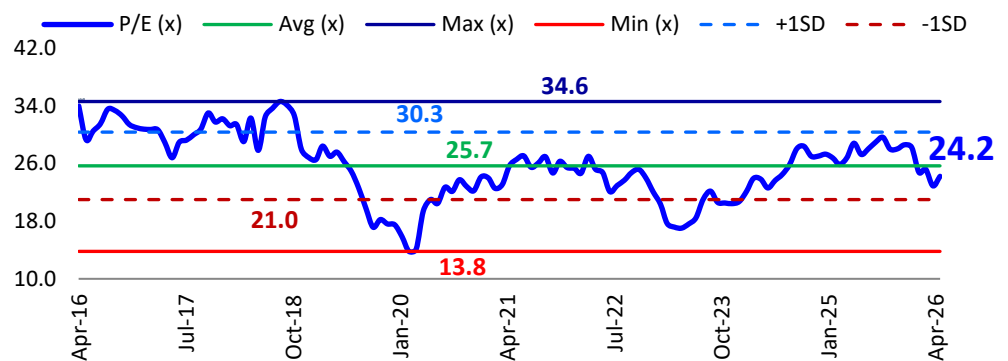
Y/E March	(INR m)											
	FY25				FY26				FY25	FY26	Est. 4QE	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
INRm												
Domestic formulation	28,980	29,480	31,460	26,220	30,700	31,460	34,570	30,070	116,140	126,800	29,104	
YoY Change (%)	4.5	4.7	10.0	8.5	5.9	6.7	9.9	14.7	6.9	9.2	11.0	
North America	20,870	19,860	19,060	19,190	19,330	20,390	14,850	14,140	78,980	68,710	15,060	
YoY Change (%)	14.5	5.2	-0.5	2.3	-7.4	2.7	-22.1	-26.3	5.3	-13.0	-21.5	
SAGA	6,950	10,680	9,750	10,190	8,710	11,780	10,010	12,360	37,570	42,860	11,005	
YoY Change (%)	-7.1	7.6	18.0	20.3	25.3	10.3	2.7	21.3	22.9	14.1	8.0	
Emerging market	8,490	8,060	8,240	8,950	8,610	9,670	9,290	8,190	33,740	35,760	9,348	
YoY Change (%)	9.0	9.8	10.5	20.6	1.4	20.0	12.7	-8.5	9.3	6.0	4.4	
API	980	1,600	1,260	1,820	1,020	1,480	1,440	640	5,660	4,580	1,693	
YoY Change (%)	-27.9	8.8	18.0	-3.7	4.1	-7.5	14.3	-64.8	-2.6	-19.1	-7.0	
Cost Break-up												
RM Cost (% of Sales)	32.8	32.4	32.0	32.5	31.2	32.9	37.2	36.8	32.4	33.9	36.8	
Staff Cost (% of Sales)	17.8	17.1	16.9	18.3	18.9	17.3	18.7	19.2	17.5	19.1	19.2	
R&D Expenses(% of Sales)	5.3	5.5	5.1	6.3	6.2	7.1	7.0	7.1	5.3	6.3	7.1	
Other Cost (% of Sales)	18.5	18.3	17.8	20.0	18.2	17.7	17.7	19.3	18.6	19.1	19.3	
Gross Margins(%)	67.2	67.6	68.0	67.5	68.8	67.1	62.8	63.2	67.6	66.1	63.2	
EBITDA Margins(%)	25.6	26.7	28.1	22.8	25.6	25.0	17.7	15.2	25.9	21.0	17.4	
EBIT Margins(%)	21.9	22.9	24.2	18.3	21.9	21.1	13.8	9.4	21.9	16.7	13.2	



Highlights from the management commentary

- Most of the respiratory assets are in-house products, which would drive the GM for CIPLA. Some of the peptides are partnered products, which would lower GM to some extent.
- Very few ANDAs have been filed in FY26, while R&D spend was ~INR20b, given the considerable spend on respiratory and oligonucleotide assets. This includes certain litigation costs as well.
- The EMEU segment growth would be driven by the deepening penetration into existing markets and improving margin trajectory.
- Four respiratory assets are expected to be filed in the next 24 months. Three assets are likely to be filed in the peptide/complex generics category in the next 12-24M.
- Net cash available as of Mar'26 is INR105b.

Exhibit 1: P/E chart



Strategic market expansion efforts continue to drive traction

NA: Respiratory/Peptide/complex generic assets to drive recovery ahead

- In FY26, US sales declined 16.4% to USD781m/USD155m. The performance in 4QFY26/FY26 was largely impacted by a reduction in g-Revlimid contribution.
- During FY26, business advanced its portfolio with several key assets, including Liraglutide, Nintedanib, and Dapagliflozin.
- Notably, the business received regulatory approval for the first AB-rated gVentolin with CGT, representing the first commercial MDI product to be manufactured from the US facility. Management expects g-Ventolin launch by 1QFY27, with meaningful ramp-up expected in 2HFY27.
- In addition to product pipeline, there have been measures taken by the company to diversify the regulatory risk by filing products from the US site.
- Respiratory pipeline progressed with five assets filed, of which four are expected to be commercialized in FY27. Additionally, four upcoming filings and two green propellant-based assets are planned over the next 24 months.
- The peptides and complex generics portfolio continues to strengthen, with eight assets filed and select launches expected in FY27-FY28, while three additional filings are targeted over the next 12-24M.
- Differentiated portfolio expansion remains on track with three 505(b)(2)/2 oligonucleotide filings. Additional differentiated filings are planned over the next 12-18M, with two global biosimilar assets advancing through development.
- Hence, we expect NA sales to post a 13.3% CAGR to reach USD1b over FY26-28, driven by respiratory launches, peptide products, and differentiated filings.

India: Balanced growth visibility across Rx/Gx/OTC

- In FY26, CIPLA's Indian business reported a 9.2% YoY sales growth, led by sustained momentum across key therapies.
- Double-digit growth was witnessed in chronic therapies like Respiratory, Urology, Anti-diabetes, and Cardiac.
- However, within key brands, a decline in Asthalin/Ibugesic Plus and subdued performance of Duolin/Seroflo/Urimax-D dragged overall performance despite healthy growth in Montair-Lc/Budecort in Mar'26.
- Within branded generics, CIPLA launched key products Voltido/Trio/Ciphaler/Huena/Zemdri/Empacip during the year.
- The trade generics (Gx) segment delivered strong growth during the quarter.
- In the consumer health (OTC) portfolio, anchor brands such as Nicotex/Omnigel/Cipladine maintained leadership. It delivered robust double-digit growth with momentum in anchor brands.
- The One India business remains focused on driving growth and outperforming the market across branded, trade generics, and consumer wellness. Overall, we expect a 10.6% sales CAGR in this segment over FY26-28, reaching INR155b.

One Africa: Focus on Rx/tender and currency benefit-led growth in this segment

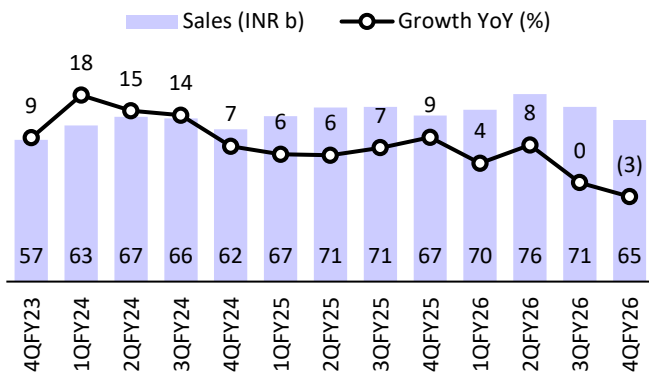
- In FY26, CIPLA's One Africa business grew 14.1% YoY to INR42.8b. In CC terms, One Africa sales grew 6.9% to USD483m for FY26.
- In FY26, the SA private market revenue grew 8.3% YoY to USD288m. This indicates a shift in focus toward the prescription segment.
- In FY26, the SA tender market grew 13.6% YoY at USD92m. Particularly, in 4QFY26, it exhibited exponential growth of 53% YoY to USD26m due to a focus towards profitable tender business.
- The company holds several brands (7) among the top 30 in the African generics market. Specifically, it grew 9.6% YoY in the prescription segment vs. industry growth of 6.1% YoY as per *IQVIA MAT Feb'26*.
- CIPLA grew 1.2% YoY in the OTC segment, below the industry growth of 2.5% YoY as per *IQVIA MAT Feb'26*.
- The number of new launches in the market was 18 in 9MFY26 vs 8 in 4QFY26.
- CIPLA posted a healthy performance across key therapies like respiratory, CNS, alimentary TR and metabolism. This growth was propelled by uptick in key therapies, new launches as well as the expansion of OTC portfolio.
- Anchored by a healthy footprint in Africa, we expect an 6% sales CAGR in this segment over FY26-28, reaching INR48b.

Valuation and view:

- We reduce our earnings estimate by 10% for FY27, factoring in: a) the ongoing regulatory issue with respect to Lanreotide for the US market, and b) the adverse impact of geo-political tension in emerging markets and enhanced marketing/promotional spend.
- We value CIPLA at 23x 12M forward earnings to arrive at a TP of INR1,380. We expect earnings to remain under check due to a reduction in contribution from g-lenalidomide and some gestation period for accruing of upcoming niche launches. Hence, we reiterate a Neutral rating on the stock.

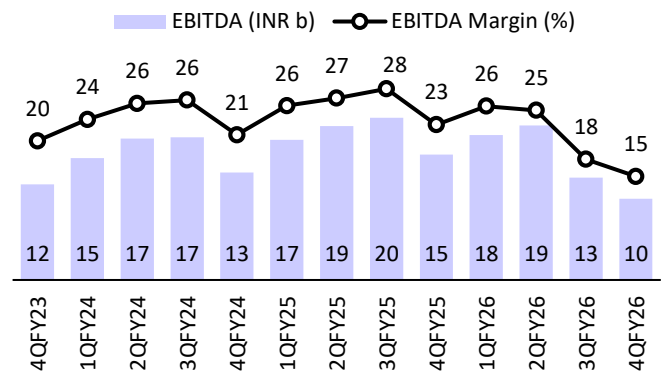
Story in charts

Exhibit 2: Revenue declined 3% YoY in 4QFY26



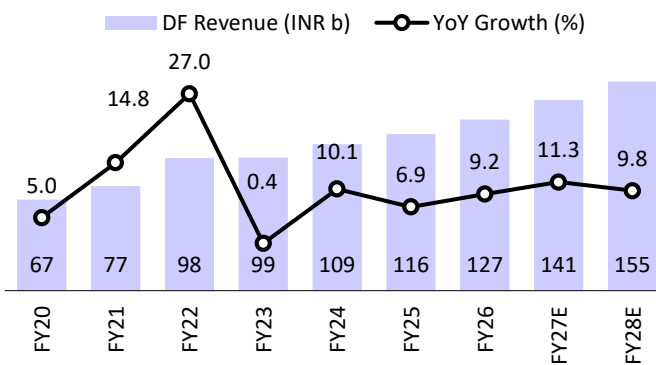
Source: MOFSL, Company

Exhibit 3: EBITDA contracted 760bp YoY in 4QFY26



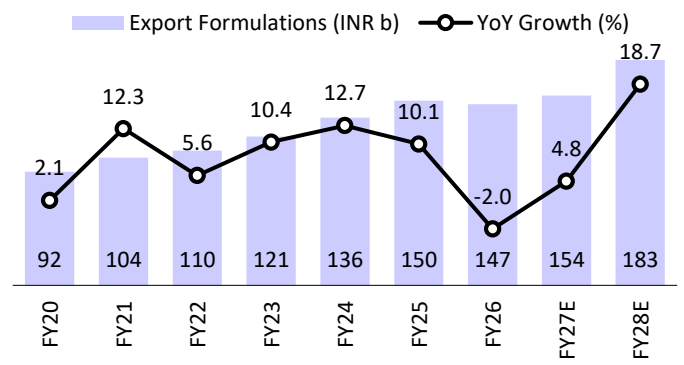
Source: MOFSL, Company

Exhibit 4: Expect 10.6% DF sales CAGR over FY26-28



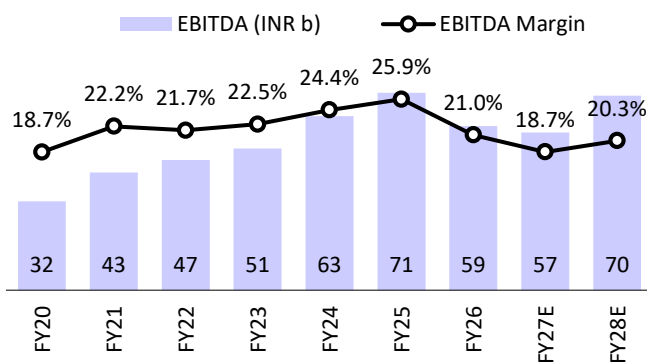
Source: MOFSL, Company

Exhibit 5: Expect 11.5% export sales CAGR over FY26-28



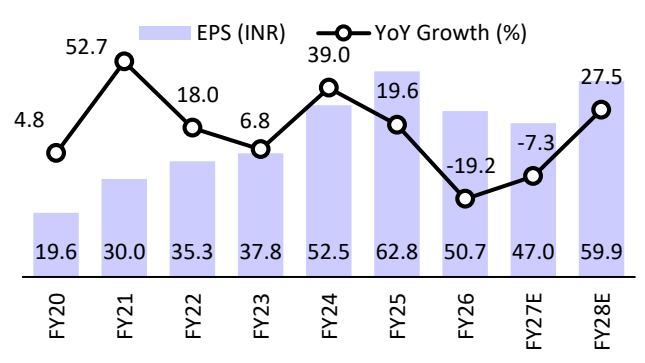
Source: MOFSL, Company

Exhibit 6: EBITDA margin to contract 80bp over FY26-28



Source: MOFSL, Company

Exhibit 7: Expect EPS to increase over FY26-28



Source: MOFSL, Company

Financials and valuations

Income Statement							(INR Mn)
Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Income	217,121	227,531	257,741	275,476	281,626	304,054	347,020
Change (%)	13.3	4.8	13.3	6.9	2.2	8.0	14.1
EBITDA	47,016	51,144	62,911	71,279	59,249	56,929	70,300
Change (%)	10.6	8.8	23.0	13.3	-16.9	-3.9	23.5
Margin (%)	21.7	22.5	24.4	25.9	21.0	18.7	20.3
Depreciation	10,520	11,721	10,079	11,070	12,110	13,692	14,038
EBIT	36,496	39,423	52,832	60,209	47,139	43,237	56,262
Int. and Finance Charges	1,064	1,095	899	620	544	371	255
Other Income - Rec.	2,809	4,514	6,225	7,949	8,820	7,900	8,760
PBT before EO Items	38,242	42,842	58,158	67,538	55,416	50,766	64,767
One-time (Expense)/Income	3,309	2,458	1,139	-670	3,179	0	0
PBT but after EO Exp.	34,933	40,384	57,019	68,208	52,236	50,766	64,767
Tax	9,338	12,028	15,466	15,298	13,538	12,945	16,580
Tax Rate (%)	26.7	29.8	27.1	22.4	25.9	25.5	25.6
Minority Interest	299	310	322	-33	(175)	(90)	(120)
Income from associates	-128	-26	-16	-219	-81	25	50
Reported PAT	25,168	28,020	41,216	52,725	38,792	37,936	48,357
Adj PAT	28,382	30,478	42,355	50,664	40,931	37,936	48,357
Change (%)	18.0	7.4	39.0	19.6	-19.2	-7.3	27.5
Margin (%)	13.1	13.4	16.4	18.4	14.5	12.5	13.9

Balance Sheet							(INR Mn)
Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	1,614	1,614	1,614	1,614	1,614	1,614	1,614
Reserves	201,532	232,464	265,450	310,321	342,706	378,920	422,433
Revaluation Reserves	0	0	0	0	0	0	0
Net Worth	208,417	234,078	267,065	311,935	344,320	380,534	424,047
Loans	8,975	5,943	3,340	1,977	3,493	2,318	2,318
Deferred Liabilities	-2049	-2932	-4025	-5913	-9010	-9010	-9010
Minority Interst	2757	3058	959	958	883	883	883
Capital Employed	218,100	240,144	267,339	308,957	339,686	374,725	418,238
Gross Block	160,107	166,824	179,676	195,412	233,938	262,443	287,443
Less: Accum. Deprn.	60,056	71,777	81,856	92,925	105,035	118,727	132,765
Net Fixed Assets	100,052	95,048	97,820	102,487	128,903	143,716	154,678
Capital WIP	3,829	6,892	8,643	12,128	15,863	16,863	16,863
Investments	4,171	6,324	7,558	7,508	5,440	5,440	5,440
Curr. Assets	158,304	177,106	207,279	245,625	265,744	290,917	329,829
Inventory	53,502	51,564	52,380	56,421	65,967	69,267	77,628
Account Receivables	34,244	40,570	47,707	55,064	56,201	65,068	74,262
Cash and Bank Balance	19,285	15,646	8,750	7,998	13,074	9,502	16,581
Others	51,273	69,325	98,443	126,142	130,502	147,079	161,358
Curr. Liability & Prov.	48,423	49,923	53,962	58,791	76,264	82,213	88,575
Account Payables	36,213	37,055	37,844	41,625	52,097	58,046	64,408
Provisions	12,210	12,868	16,118	17,166	24,167	24,167	24,167
Net Current Assets	109,882	127,183	153,317	186,835	189,481	208,704	241,254
Appl. of Funds	218,100	240,144	267,340	308,957	339,687	374,725	418,238

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Adjusted EPS	35.3	37.8	52.5	62.8	50.7	47.0	59.9
Cash EPS	48.2	52.3	65.0	76.5	65.7	64.0	77.3
BV/Share	258.1	284.2	330.9	386.5	426.6	471.5	525.4
DPS	3.0	3.0	4.0	5.0	5.0	5.0	5.0
Payout (%)	11.5	10.3	9.4	9.2	12.5	12.8	10.0
Valuation (x)							
P/E	37.5	35.1	25.3	21.1	26.2	28.2	22.1
Cash P/E	27.5	25.4	20.4	17.4	20.2	20.7	17.2
P/BV	5.1	4.7	4.0	3.4	3.1	2.8	2.5
EV/Sales	5.6	5.3	4.7	4.4	4.3	4.0	3.5
EV/EBITDA	25.9	23.8	19.4	17.1	20.5	21.4	17.2
Dividend Yield (%)	0.2	0.2	0.3	0.4	0.4	0.4	0.4
FCF per Share	32.8	26.0	34.9	39.9	11.5	-10.8	0.0
Return Ratios (%)							
RoE	14.5	13.3	15.9	16.2	11.9	10.0	11.4
RoCE	13.7	13.5	17.0	18.3	12.8	10.7	12.2
RoIC	14.5	13.8	17.0	17.8	11.9	9.9	11.6
Working Capital Ratios							
Fixed Asset Turnover (x)	1.4	1.4	1.5	2.8	2.4	2.2	2.3
Debtor (Days)	58	65	68	73	73	78	78
Inventory (Days)	90	83	74	75	85	83	82
Creditors (Days)	42	39	35	38	37	39	38
Working Capital (Days)	105	108	107	110	121	122	121
Leverage Ratio (x)							
Current Ratio	3.3	3.5	3.8	4.2	3.5	3.5	3.7
Debt/Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

(INR Mn)

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Profit before Tax & Extraordinary Items	36,754	42,208	58,967	71,279	52,236	50,766	64,767
Depreciation	10,520	11,721	10,510	11,070	12,110	13,692	14,038
Interest/Dividends Recd.	267	-527	-1,297	-2,024	-1,742	-7,900	-8,760
Direct Taxes Paid	-11,395	-13,019	-15,975	-16,681	-15,862	-12,945	-16,580
(Inc)/Dec in WC	-1,775	-5,594	-8,061	-6,655	-2,252	-22,795	-25,472
CF from Operations	33,259	32,377	41,339	47,357	39,400	20,818	27,993
EO expense	0	0	0	0	0	0	0
CF from Oper. incl EO Expense	33,259	32,377	41,339	47,357	39,400	20,818	27,993
(inc)/dec in FA	-6,810	-11,355	-13,151	-15,148	-30,117	-29,505	-25,000
Free Cash Flow	26,449	21,021	28,188	32,209	9,283	-8,687	2,993
(Pur)/Sale of Investments	1,706	-8,879	-14,314	-21,818	5,732	0	0
Other Items	-13,481	-3,528	-2,359	55	1,123	0	0
CF from Investments	-18,584	-23,761	-29,825	-36,911	-23,261	-29,505	-25,000
Issue of Shares	1	1	0	1	0	0	0
Inc/(Dec) in Debt	350	0	0	-860	1,878	-1,175	0
Interest (Paid)/Recd	-757	-650	-648	-364	-370	7,529	8,505
Dividend Paid	-4,034	-4,035	-6,862	-10,498	-12,924	-4,844	-4,844
CF from Fin. Activity	-15,998	-9,583	-12,004	-12,928	-12,337	5,103	4,075
Inc/Dec of Cash	-1,323	-968	-490	-2,483	3,802	-3,584	7,068
Add: Beginning Balance	14,012	19,285	15,646	8,750	7,998	13,074	9,502
Ending cash balance	12,689	18,317	15,156	6,267	11,801	9,490	16,570
Bank balances and FX impact	6,596	-2,670	-6,407	1,731	1,273	12	11
Closing balance	19,285	15,646	8,749	7,998	13,074	9,502	16,581

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NOTES

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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