ADD Cipla

Your success is our success

Margins undershoot expectations; pipeline uncertainty remains

Pharmaceuticals ▸ Result Update ▸ **July 24, 2026**

CMP (Rs): 1,393 | TP (Rs): 1,450

Cipla's 1QFY27 EBITDA was ~11%/6% below our/street estimates. The miss in reported EBITDA margin (~120bps vs our estimate) was gross margin-driven, with the lower gross margin being attributed to multiple one-offs. Adjusted for the change in accounting treatment of promotional spend, gross margin would have been higher by ~60bps, albeit the magnitude of the EBITDA margin miss would also have been slightly higher (by ~30bps). The management's FY27 EBITDA margin guidance range (18.5-20%) remains unchanged, though we note that the street is currently at the upper end of that range. The continued delay in approvals for key assets in the US pipeline could lead to more disappointments ahead, on the US front. However, our ADD thesis on Cipla (*refer to our rating upgrade note*) is largely centered on the premise of limited downside, even in a bear case scenario for the US business. In our view, the stock will not correct as long as the double-digit domestic growth narrative stays intact (which is largely driving the stock's valuation at this point; the domestic in-licensed portfolio being a key driver of this growth, notwithstanding). The upside in the name will stem from the new product approval momentum in the US setting in. We cut our earnings estimates by ~6% and roll forward to Jun-28E EPS; retain ADD with unchanged TP of Rs1,450.

Domestic performance in line with expectations; US sales marginally below

Domestic sales growth (12% yoy) was in line with expectations, with the muted performance in consumer health being offset by higher branded prescription sales (aided by contribution from Yurpeak, Inzpera, and the Pfizer portfolio). US sales at $162mn were marginally below our estimate. Adj gross margin stood at 63.1% (~100bps below our estimate) and adj EBITDA margin stood at ~16.5% (~150bps below our estimate).

KTAs from the earnings call

1) Expect US sales to witness qoq growth in subsequent quarters in FY27, on the back of new launches; expect to launch 3 respiratory products and one peptide. Of the 3 respiratory products, two have been filed from the US and one from Goa. 2) The company has a domestic field force of ~12,000 and does not plans to add manpower in FY27, with focus instead remaining on improving productivity. 3) Cipla holds the highest market share in the overall US Albuterol market. The company commercialized gVentolin in 1QFY27 and expects volumes to scale up going forward, with the market unlikely to become crowded. 4) Cipla's partner for Lanreotide, ie Pharmathen, has undertaken remediation at its facility, and Cipla intends to request the FDA for resumption of supplies. Cipla has also initiated tech transfer of the product to a US-based CMO. 5) South Africa sales were impacted by the loss of a tender, the impact of which will also be seen in subsequent quarters. 6) 1Q gross margin was impacted by product mix, war-linked disruptions, inventory-related charges, and phasing of incentives.

Target Price – 12M	Jun-27
Change in TP (%)	**-**
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	4.1

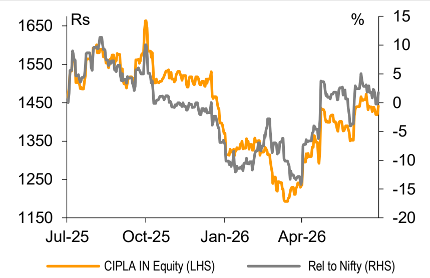
Stock Data	CIPLA IN
52-week High (Rs)	1,673
52-week Low (Rs)	1,166
Shares outstanding (mn)	807.8
Market-cap (Rs bn)	1,125
Market-cap (USD mn)	11,653
Net-debt, FY27E (Rs mn)	(103,324.9)
ADTV-3M (mn shares)	1.9
ADTV-3M (Rs mn)	2,698.9
ADTV-3M (USD mn)	27.9
Free float (%)	70.6
Nifty-50	23,869.6
INR/USD	96.6

Shareholding,Jun-26	
Promoters (%)	29.1
FPIs/MFs (%)	20.1/34.5

Price Performance

(%)	1M	3M	12M
Absolute	(2.8)	6.7	(5.5)
Rel. to Nifty	(3.0)	8.0	(0.1)

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	300,776	327,201	355,627
EBITDA	71,279	59,249	58,301	66,206	74,766
Adj. PAT	50,499	41,972	40,072	45,433	51,383
Adj. EPS (Rs)	62.5	52.0	49.6	56.2	63.6
EBITDA margin (%)	25.9	21.0	19.4	20.2	21.0
EBITDA growth (%)	13.3	(16.9)	(1.6)	13.6	12.9
Adj. EPS growth (%)	17.0	(16.9)	(4.5)	13.4	13.1
RoE (%)	17.4	12.8	11.2	11.7	12.1
RoIC (%)	21.6	15.7	13.8	15.3	16.8
P/E (x)	22.3	26.8	28.1	24.8	21.9
EV/EBITDA (x)	15.0	18.1	18.4	16.2	14.3
P/B (x)	3.6	3.3	3.0	2.8	2.5
FCFF yield (%)	2.9	(0.3)	1.9	2.5	3.1

Source: Company, Emkay Research

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Exhibit 1: Cipla – 1QFY27 earnings snapshot

Cipla - P&L	1QFY26A	1QFY27A	yoy change	1QFY27E	Delta vs Emkay	1QFY27E (consensus)	Delta vs consensus	4QFY26A	qoq change
(Rs mn)									
Net Sales	68,370	70,770	4%	73,135	-3%			64,643	9%
Other operating income	1,204	423	-65%	1,193	-65%			769	-45%
Total operating income	**69,575**	**71,193**	**2%**	**74,328**	**-4%**	**71,309**	**0%**	**65,412**	**9%**
Expenses									
Raw material cost	21,707	26,672	23%	26,694	0%			22,487	19%
Gross Profit	47,868	44,521	-7%	47,634	-7%			42,925	4%
- Margin	**68.8%**	**62.5%**	**-626 bps**	**64.1%**	**-155 bps**			**65.6%**	**-309 bps**
Staff cost	13,123	14,974	14%	15,217	-2%			14,143	6%
Other operating expenses	16,963	17,624	4%	19,063	-8%			18,813	-6%
EBITDA	**17,781**	**11,923**	**-33%**	**13,354**	**-11%**	**12,694**	**-6%**	**9,970**	**20%**
- EBITDA Margin	**25.6%**	**16.7%**	**-881 bps**	**18.0%**	**-122 bps**	**17.8%**	**-105 bps**	**15.2%**	**151 bps**
Other income	2,586	2,109	-18%	2,595	-19%			1,482	42%
Finance costs	141	170	21%	137	24%			131	30%
Depreciation	2,527	3,042	20%	3,311	-8%			3,829	-21%
Profit Before Tax (PBT)	17,699	10,819	-39%	12,501	-13%			7,491	44%
Tax	4,779	2,948	-38%	3,250	-9%			1,570	88%
Tax rate	27.0%	27.3%	25 bps	26.0%	125 bps			21.0%	630 bps
Minority interest	(60)	(35)		(44)				(121)	
Share of Profit (+) / Loss (-) of associates	(4)	(16)		(20)				(76)	
Adjusted PAT	**12,976**	**7,891**	**-39%**	**9,275**	**-15%**	**8,404**	**-6%**	**5,967**	**32%**
Adjusted EPS (Rs)	**16.1**	**9.8**	**-39%**	**11.5**	**-15%**			**7.4**	**32%**

Cost ratios (%)	1QFY26A	1QFY27A	yoy change	1QFY27E	Delta vs Emkay	4QFY26A	qoq change
Raw Material cost	31.2	37.5	626 bps	35.9	155 bps	34.4	309 bps
Staff cost	18.9	21.0	217 bps	20.5	56 bps	21.6	-59 bps
Mfg & Other expense	24.4	24.8	37 bps	25.6	-89 bps	28.8	-401 bps

Sales break-up	1QFY26A	1QFY27A	yoy change	1QFY27E	Delta vs Emkay	4QFY26A	qoq change
Domestic formulations	30,700	34,520	12%	34,254	1%	30,070	15%
US	19,330	15,320	-21%	16,233	-6%	14,140	8%
Africa	8,710	9,770	12%	11,575	-16%	12,360	-21%
Europe and EMs	8,610	9,990	16%	9,566	4%	8,190	22%

Source: Company, Bloomberg, Emkay Research

Exhibit 2: Changes in estimates

(Rs mn)	FY27E			FY28E			FY29E		
	Old	New	Change	Old	New	Change	Old	New	Change
Domestic	141,255	141,382	0%	154,533	154,531	0%	168,441	168,438	0%
US	74,053	69,066	-7%	81,088	75,628	-7%	89,197	83,190	-7%
Africa	46,300	44,156	-5%	49,541	47,247	-5%	53,008	50,554	-5%
Europe & EM	38,263	38,800	1%	41,133	41,710	1%	44,218	44,838	1%
API	5,994	4,477	-25%	6,294	4,701	-25%	6,609	4,936	-25%
Net sales	**305,866**	**297,881**	**-3%**	**332,589**	**323,816**	**-3%**	**361,473**	**351,957**	**-3%**
Gross profit	**195,754**	**188,857**	**-4%**	**213,855**	**206,594**	**-3%**	**233,512**	**225,956**	**-3%**
- margin	**64.0%**	**63.4%**	**-60bps**	**64.3%**	**63.8%**	**-50bps**	**64.6%**	**64.2%**	**-40bps**
EBITDA	**61,971**	**58,301**	**-6%**	**69,852**	**66,206**	**-5%**	**78,254**	**74,766**	**-4%**
- margin	**19.9%**	**19.4%**	**-57bps**	**20.7%**	**20.2%**	**-45bps**	**21.3%**	**21.0%**	**-29bps**
Net profit	**42,803**	**40,072**	**-6%**	**48,448**	**45,433**	**-6%**	**54,679**	**51,383**	**-6%**
EPS (Rs)	**53.0**	**49.6**	**-6%**	**60.0**	**56.2**	**-6%**	**67.7**	**63.6**	**-6%**

Source: Emkay Research

Cipla: Consolidated Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	**275,476**	**281,626**	**300,776**	**327,201**	**355,627**
Revenue growth (%)	6.9	2.2	6.8	8.8	8.7
EBITDA	**71,279**	**59,249**	**58,301**	**66,206**	**74,766**
EBITDA growth (%)	13.3	(16.9)	(1.6)	13.6	12.9
Depreciation & Amortization	11,070	12,110	13,002	14,066	15,130
EBIT	**60,210**	**47,139**	**45,299**	**52,140**	**59,636**
EBIT growth (%)	14.9	(21.7)	(3.9)	15.1	14.4
Other operating income	4,022	4,509	2,895	3,386	3,670
Other income	7,949	8,820	9,319	9,717	10,257
Financial expense	620	544	595	589	584
PBT	**67,538**	**55,416**	**54,023**	**61,268**	**69,309**
Extraordinary items	2,226	(3,179)	0	0	0
Taxes	16,854	13,538	14,046	15,930	18,020
Minority interest	33	175	175	175	175
Income from JV/Associates	(219)	(81)	(81)	(81)	(81)
Reported PAT	**52,725**	**38,792**	**40,072**	**45,433**	**51,383**
PAT growth (%)	27.9	(26.4)	3.3	13.4	13.1
Adjusted PAT	**50,499**	**41,972**	**40,072**	**45,433**	**51,383**
Diluted EPS (Rs)	**62.5**	**52.0**	**49.6**	**56.2**	**63.6**
Diluted EPS growth (%)	17.0	(16.9)	(4.5)	13.4	13.1
DPS (Rs)	**13.0**	**16.0**	**14.0**	**16.0**	**18.0**
Dividend payout (%)	**20.8**	**30.8**	**28.2**	**28.5**	**28.3**
EBITDA margin (%)	25.9	21.0	19.4	20.2	21.0
EBIT margin (%)	21.9	16.7	15.1	15.9	16.8
Effective tax rate (%)	25.0	24.4	26.0	26.0	26.0
NOPLAT (pre-IndAS)	**45,185**	**35,623**	**33,522**	**38,584**	**44,131**
Shares outstanding (mn)	808	808	808	808	808

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	371,546	404,134	441,056
Net worth	**311,935**	**344,320**	**373,162**	**405,749**	**442,671**
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**	**375,786**	**408,099**	**444,746**
Net tangible fixed assets	48,139	55,867	60,423	64,096	66,885
Net intangible assets	46,329	63,946	62,387	60,649	58,730
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	458
Cash & equivalents	**80,931**	**89,868**	**105,805**	**127,401**	**153,761**
Current assets (ex-cash)	175,903	185,389	200,421	212,888	226,283
Current Liab. & Prov.	54,038	68,731	75,130	79,815	84,793
NWC (ex-cash)	**121,864**	**116,658**	**125,291**	**133,073**	**141,490**
Total assets	**313,383**	**347,219**	**375,786**	**408,099**	**444,746**
Net debt	(80,010)	(87,289)	(103,325)	(125,021)	(151,481)
Capital employed	313,383	347,219	375,786	408,099	444,746
Invested capital	**216,332**	**236,470**	**248,101**	**257,818**	**267,105**
BVPS (Rs)	386.2	426.3	461.9	502.3	548.0
Net Debt/Equity (x)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Net Debt/EBITDA (x)	(1.1)	(1.5)	(1.8)	(1.9)	(2.0)
Interest coverage (x)	109.9	102.9	91.8	105.0	119.7
RoCE (%)	**23.3**	**16.9**	**15.1**	**15.8**	**16.4**

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
PBT (ex-other income)	59,371	46,515	44,624	51,470	58,971
Others (non-cash items)	6,942	(8,980)	1,498	1,498	1,497
Taxes paid	(16,681)	(15,862)	(14,046)	(15,930)	(18,020)
Change in NWC	(11,272)	5,073	(8,633)	(7,782)	(8,417)
Operating cash flow	**50,050**	**39,400**	**37,040**	**43,912**	**49,745**
Capital expenditure	(19,007)	(42,214)	(17,000)	(17,000)	(17,000)
Acquisition of business	0	0	0	0	0
Interest & dividend income	-	-	-	-	-
Investing cash flow	**(36,911)**	**(23,261)**	**(9,099)**	**(8,701)**	**(8,160)**
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)	(595)	(589)	(584)
Dividend paid (incl tax)	(10,498)	(12,924)	(11,310)	(12,926)	(14,541)
Others	(261)	(528)	0	0	0
Financing cash flow	**(12,928)**	**(12,337)**	**(12,005)**	**(13,615)**	**(15,225)**
Net chg in Cash	211	3,802	15,936	21,596	26,360
OCF	50,050	39,400	37,040	43,912	49,745
Adj. OCF (w/o NWC chg.)	61,321	34,327	45,673	51,694	58,162
FCFF	31,043	(2,814)	20,040	26,912	32,745
FCFE	30,423	(3,358)	19,445	26,322	32,161
OCF/EBITDA (%)	70.2	66.5	63.5	66.3	66.5
FCFE/PAT (%)	57.7	(8.7)	48.5	57.9	62.6
FCFF/NOPLAT (%)	**68.7**	**(7.9)**	**59.8**	**69.7**	**74.2**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	22.3	26.8	28.1	24.8	21.9
P/CE(x)	18.3	20.8	21.2	18.9	16.9
P/B (x)	3.6	3.3	3.0	2.8	2.5
EV/Sales (x)	3.9	3.9	3.6	3.3	3.0
EV/EBITDA (x)	15.0	18.1	18.4	16.2	14.3
EV/EBIT(x)	17.8	22.7	23.6	20.5	17.9
EV/IC (x)	4.9	4.5	4.3	4.2	4.0
FCFF yield (%)	2.9	(0.3)	1.9	2.5	3.1
FCFE yield (%)	2.7	(0.3)	1.7	2.3	2.9
Dividend yield (%)	0.9	1.1	1.0	1.1	1.3
DuPont-RoE split					
Net profit margin (%)	18.3	14.9	13.3	13.9	14.4
Total asset turnover (x)	0.9	0.9	0.8	0.8	0.8
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	**17.4**	**12.8**	**11.2**	**11.7**	**12.1**
DuPont-RoIC					
NOPLAT margin (%)	16.4	12.6	11.1	11.8	12.4
IC turnover (x)	1.3	1.2	1.2	1.3	1.4
RoIC (%)	**21.6**	**15.7**	**13.8**	**15.3**	**16.8**
Operating metrics					
Core NWC days	161.5	151.2	152.0	148.4	145.2
Total NWC days	**161.5**	**151.2**	**152.0**	**148.4**	**145.2**
Fixed asset turnover	3.0	2.6	2.5	2.6	2.8
Opex-to-revenue (%)	41.7	45.1	44.4	43.9	43.5

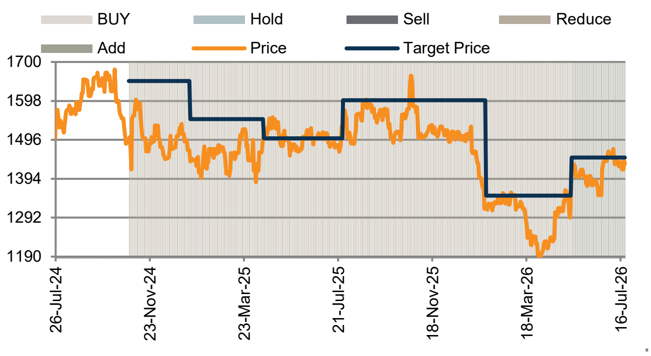
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
14-May-26	1,437	1,450	Add	Shashank Krishnakumar
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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