

HOLD

TP: Rs 1,394 | ▲ 6%

CIPLA

| Pharmaceuticals

| 25 January 2026

A clear HOLD as valuation reflects pessimism

- Sales/EBITDA /PAT reported -5.5%/-27.9%/-45% below our estimates. Ex of one-time cost, PAT reported 23% below our estimates
- EBITDA margin guidance lower to 21%, on exhaustion of gRevlimid supplies and pause in Lanreotide until plant clearance at partner's end
- Revised estimates lower; lowered ascribed PE to 22x (earlier 24X) on Dec'27 roll forward. Downgrade to HOLD from the earlier BUY

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Earnings below estimates – Sales reported flat YoY and 6.8% decline QoQ, primarily due to 22% decline in the North America sales to Rs 14.8bn, offset by growth of 10% YoY in the domestic business to Rs 34.5bn, 12.7% YoY in the international business to Rs 9.2bn and 2.7% YoY in the SAGA region. Lower product mix and 16.3% YoY growth in RM cost (partially due to purchase of higher API for R&D) to Rs 26bn led to 8% decline in the gross profit to Rs 44bn and 519 bps decline in gross margins to 62.8%. Subsequently, 37% YoY rise in R&D cost (development +litigation) and 8% YoY increase in the SG&A cost ex of R&D drove a 37% YoY and 67% QoQ decline in EBITDA to Rs 12.5bn and 1038 bps decrease in EBITDA margin to 17.7%. During the quarter, CIPLA had an exceptional cost of Rs 2.7bn due to the New Labour Code, which resulted in 57% YoY reduction in PAT to Rs 6.7bn. Adjusting for this one-time cost, PAT decline was Rs 39% to Rs 9.5bn.

US sales impacted mainly by lower gRevlimid sales – During the quarter, US sales reported 18% below our estimates to Rs 14.8bn, primarily due to lower gRevlimid sales and partially on restricted supply issues in Lanreotide due to USFDA's observations at partner's Pharmathen plant. Cipla noted the end of Lenalidomide supplies to the US and a pause in Lanreotide until H1FY27, pending USFDA re-inspection. To offset this, the company plans 4 respiratory launches—2 in H1FY27 and 2 (including gSymbicort) in H2FY27—though margins are likely to be lower despite 3 in-house manufacturing and one partner product through Goa facility. Additionally, 4 peptide launches are planned across FY27E where 2 small opportunity peptides would launch by H1FY27 and remaining two by H2FY27. Overall, constant-currency sales are expected to remain below USD 1bn in FY27E, while INR revenues are projected to grow at a 7% CAGR over FY26–28E to Rs 78.7 bn by FY28E.

Key changes

Target	Rating
▼	▼

Ticker/Price	CIPLA IN/Rs 1,315
Market cap	US\$ 11.5bn
Free float	65%
3M ADV	US\$ 25.1mn
52wk high/low	Rs 1,673/Rs 1,303
Promoter/FPI/DII	33%/26%/24%

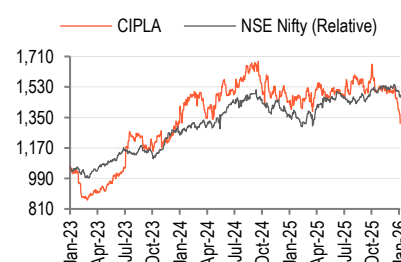
Source: NSE | Price as of 23 Jan 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	275,480	279,659	304,537
EBITDA (Rs mn)	71,283	58,326	61,768
Adj. net profit (Rs mn)	52,720	44,002	45,340
Adj. EPS (Rs)	65.4	54.6	56.3
Consensus EPS (Rs)	65.4	60.1	63.6
Adj. ROAE (%)	18.5	13.5	12.4
Adj. P/E (x)	20.1	24.1	23.4
EV/EBITDA (x)	15.8	19.6	18.7
Adj. EPS growth (%)	22.1	(16.5)	3.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



India business grew in double digits – During the quarter, India sales grew by 10% YoY to Rs 34.5bn, largely on the back of leading therapies outpacing the IPM growth like respiratory (11% growth), followed by growth of 15.2% in Urology and 13.4% in Anti Diabetic and Cardiac. Chronic contribution stands at 62.3%. During the quarter, Consumer franchise witnessed 15% growth and contributes 13% of the domestic sales. Also, trade and branded generics witnessed equal 10% growth. Growth in trade generics was driven by better execution and distribution strategy, new product launches, and technological advancements. Growth is expected to sustain in future and continue to outperform IPM growth with focus on 1) increasing the Chronic segment contribution from the current 62% 2) growth in the in-license portfolio that contributes ~10% of domestic sales 3) acquiring perpetual right for Galvus for Rs 11bn that can increase margins due to backward integration. Hence, we expect India segment to grow at a CAGR of 10% from FY26-28E.

Margins guidance of Pre gRevlimid era - During the quarter, EBITDA margin reported 17% — largely affected by 1) lower gRevlimid sales, 2) partially due to supply restriction for Lanreotide and 3) higher purchases of R&D API. In 4QFY26, margins are likely to recover on account recoup of API purchases, but would remain lower due to pausing of Lanreotide until the clearance of plant from the partner's end. However, due to supply exhaustion of high margin gRevlimid, margins guidance has lowered to 21% in FY26, implying EBITDA margin for 4QFY26 to be at ~19%. Going forward, though the 4 respiratory new launches are to be manufactured in-house that would mean lower profitability vs gRevlimid, we believe, EBITDA margin would stay around the current guided 21% till FY28E, as prior to the gRevlimid supplies, given the nature of business.

Valuation - As the earnings have reported below our estimates and Lanreotide supplies too are to pause until the clearance of plant at the partner's end, we have reduced our earnings estimates by 12%/12% and 6% for FY26E/FY27E and FY28E. Proportionately, we also reduce our ascribed PE multiple by 10% and assign 22x (earlier 24x) to arrive at TP of Rs 1,394 (earlier Rs 1,777) on Dec'27 EPS roll forward basis; thereby downgrading to HOLD (earlier BUY).

We also believe that the company's current multiple of 20x on Dec'27 EPS and current market price reflect 1) Lanreotide issue, 2) margin compression and 3) margins going back to Pre gRevlimid times. Due to Cipla's heavy concentration towards Acute therapy, respiratory (~60% of the global portfolio), margins are likely to remain lower vs peers. Margins prior to Covid were below 20% and during Covid, inched up to 22%; escalation of gRevlimid supplies led to a 25-26% EBITDA margin. With new product launches and foray into segments like biosimilars and peptides, EBITDA margin ex of gRevlimid is likely to scale to 21% vs pre-Covid era of 15-16%.

Financial Highlights

Fig 1 – Quarterly highlights

(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Q3FY26E	Var (%)
Net Sales	70,745	70,730	0.0	75,894	(6.8)	74,898	(5.5)
Total Expenses	58,194	50,841	14.5	56,947	2.2	57,484	1.2
(%) of net sales	82.3	71.9		75.0		76.8	
Raw material consumed	26,321	22,641	16.3	24,976	5.4	25,465	3.4
(%) of net sales	37.2	32.0		32.9		34.0	
Staff cost	13,250	11,976	10.6	13,148	0.8	13,294	(0.3)
(%) of net sales	18.7	16.9		17.3		17.8	
R&D cost	4,940	3,607	36.9	5,390	(8.3)	5,243	(5.8)
(%) of net sales	7.0	5.1		7.1		7.0	
SG&A	13,684	12,616	8.5	13,433	1.9	13,482	1.5
(%) of net sales	19.3	17.8		17.7		18.0	
EBITDA	12,551	19,889	(36.9)	18,947	(33.8)	17,414	(27.9)
Depreciation	2,784	2,798	(0.5)	2,970	(6.3)	2,931	(5.0)
EBIT	9,767	17,091	(42.9)	15,977	(38.9)	14,483	(32.6)
Interest	140	146	(4.2)	132	6.4	120	16.9
Other Income	2,063	2,216	(6.9)	2,690	(23.3)	2,621	(21.3)
PBT	11,690	19,161	(39.0)	18,535	(36.9)	16,984	(31.2)
Less: Taxation	(2,186)	(3,324)	(34.2)	(5,005)	(56.3)	(4,586)	(52.3)
Recurring PAT	9,505	15,837	(40.0)	13,531	(29.8)	12,398	(23.3)
Less: Minority Interest	(13)	132	(109.5)	19	(165.8)	19	(165.8)
Exceptional item	(2,759)	0		0		0	
PAT attributable to shareholders	6,758	15,705	(57.0)	13,512	(50.0)	12,379	(45.4)
Key Ratios (%)							
Gross Margin	62.8	68.0	(519.5bps)	67.1	(429.6bps)	66.0	(320.5bps)
EBITDA Margin	17.7	28.1	(1037.9bps)	25.0	(722.5bps)	23.3	(550.9bps)
Tax / PBT	18.7	17.3	134.9bps	27.0	(830.6bps)	27.0	(830.5bps)
NPM	9.6	22.2	(1265.2bps)	17.8	(825.0bps)	16.5	(697.6bps)
EPS	11.8	19.6	(785.7bps)	16.8	(499.5bps)	15.4	(356.7bps)

Source: Company, BOBCAPS Research

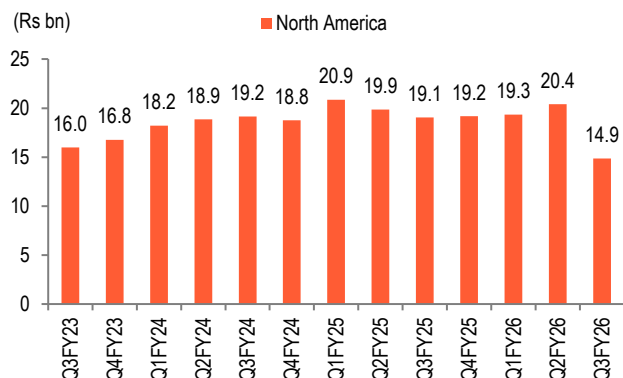
Fig 2 – Revenue Segment

(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Formulations	68,720	68,510	0.3	73,300	(6.2)
India	34,570	31,460	9.9	31,460	9.9
North America	14,850	19,060	(22.1)	20,390	(27.2)
SAGA	10,010	9,750	2.7	11,780	(15.0)
International	9,290	8,240	12.7	9,670	(3.9)
APIs	1,440	1,260	14.3	1,480	(2.7)
Others	590	960	(38.5)	1,110	(46.8)
Net Sales	70,750	70,730	0.0	75,890	(7)

Source: Company, BOBCAPS Research

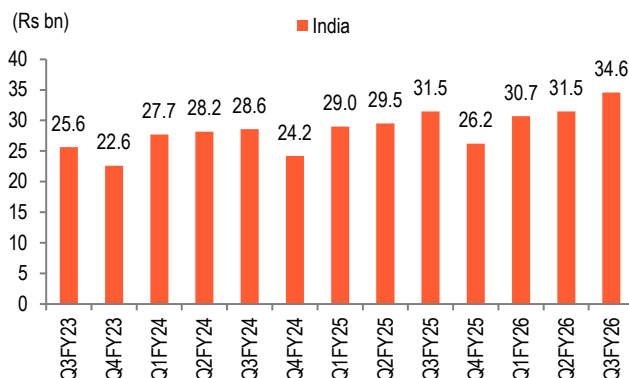
Financial Charts

Fig 3 – North America sales lowered due to decreased gRevlimid and Lanreotide sales



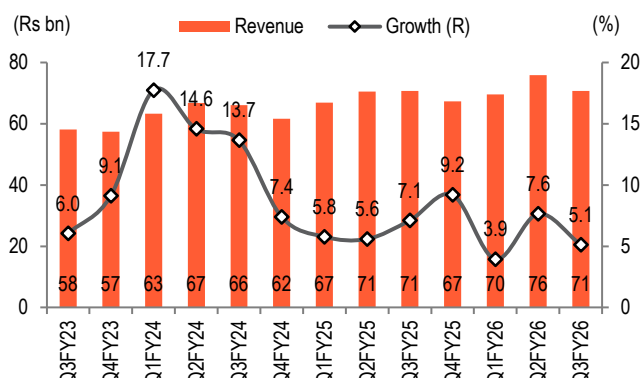
Source: Company, BOBCAPS Research

Fig 4 – Domestic sales inched higher due to outperformance in key therapies



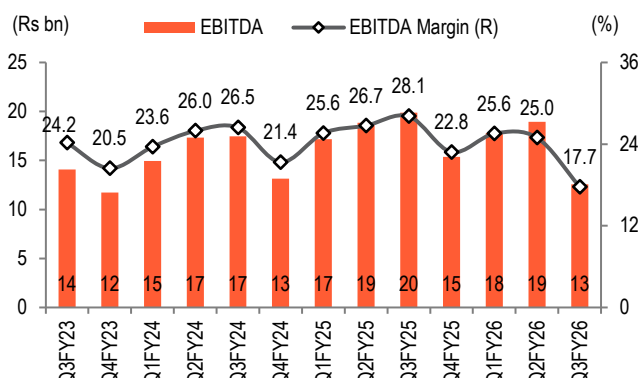
Source: Company, BOBCAPS Research

Fig 5 – Revenue growth rate lowered on low North America sales



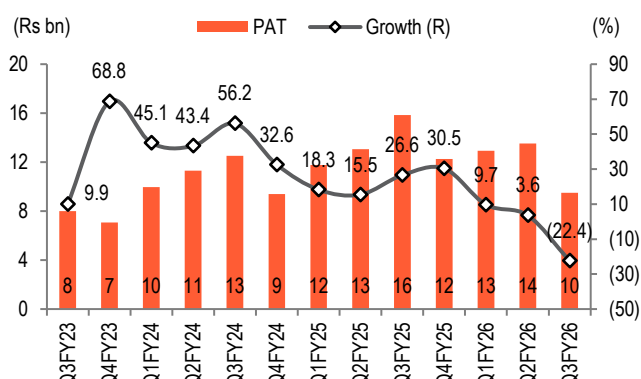
Source: Company, BOBCAPS Research

Fig 6 – EBITDA margin fell given the higher R&D API and lower product mix



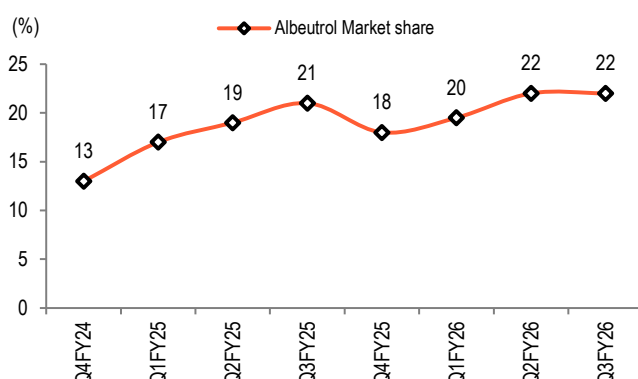
Source: Company, BOBCAPS Research

Fig 7 – PAT lowered due to lower operations



Source: Company, BOBCAPS Research

Fig 8 – Albuterol Market share continues to remain higher



Source: Company, BOBCAPS Research

Earnings Call Highlights

Management Guidance:

- FY26 EBITDA margin guidance at around 21%.
- North America guidance of USD1bn to lower on supply constraints in Lanreotide.
- R&D guided to be at 7% of sales.

One India

- **Sales:** One India revenue stood at ~Rs34.8 bn, delivering ~10% YoY growth.
- **Growth drivers:** Growth was driven by respiratory recovery, chronic portfolio expansion, new launches, and portfolio additions.
- **Branded and Trade generics growth:** Branded Rx business and Trade generics grew at 10%, supported by broad-based therapy performance.
- **In-licensing contribution:** In-licensed products currently account for <10% of India Rx sales.
- **Therapy performance:** Domestic formulations saw Respiratory growth of 11% (outperforming IPM by ~400 bps), Anti-Diabetes and Cardiac growing 13% each, and Urology leading at 15%. Cipla Respiratory crossed the threshold of Rs 5,000 cr for the first time in IPM as per IQVR MAT Dec'25.
- **Chronic mix:** Chronic therapies accounted for 62.3% of branded sales (IQVIA MAT Dec'25).
- **Brands:** Added four new Rs 100 crore+ brands, taking the total to 30, with sustained leadership through 22 brands in IPM top-300.

North America

- **Sales:** North America revenue stood at ~\$167 mn for the quarter, including a small contribution from Lenalidomide.
- **Base business:** Despite supply challenges in key products and higher competition in new launches, base business ex-Lenalidomide delivered double-digit YoY growth.
- **Albutrol:** Retained leadership in the US Albuterol MDI market with ~22% market share (IQVIA, week ending 26Dec'25).
- **Lanreotide:** Lanreotide remains a key strategic asset; resupply is expected to resume in H1 FY27, following temporary production pause given the partner's US FDA inspection, with interim supply remaining constrained.
- **Mitigation actions:** Working with partners to restore supply and evaluating alternate manufacturing sites to mitigate near-term disruption.
- **Pipeline:** US pipeline includes 4 key respiratory launches, including generic Advair and 4 peptide launches.

- **Upcoming launches:** Generic Victoza launch expected during the year (Approval Received), with 3 additional peptide launches planned in FY27, supporting long-term growth.

Other Highlights

- **Tirzepatide:** Cipla holds pan-India marketing rights for Tirzepatide (Eli Lilly partnership) with strong focus beyond metros, and early traction is encouraging across both existing and new prescriber markets.
- **Semaglutide:** On potential Semaglutide generic entry, management expects market expansion vs cannibalisation. This is because Tirzepatide's dual GLP-1/GIP mechanism positions it as a differentiated, preferred therapy, while lower-priced Semaglutide may address incremental patient segments.
- **Pipeline:** Management outlined a staggered US launch pipeline with 2 large and 1 smaller respiratory launches expected over the next 0–6 months. This is to be followed by another major respiratory launch (Symbicort-like) in the 6–12 months' timeframe, alongside one smaller peptide launch in the near term and a potentially larger, more exclusive peptide launch in the later half, with near-term launches having higher execution certainty given advanced review status.

Valuation Methodology

As the earnings have reported below our estimates and Lanreotide supplies too are to pause until the clearance of plant at the partner's end, we have reduced our earnings estimates by 12%/12% and 6% for FY26E/FY27E and FY28E. Proportionately, we also reduce our ascribed PE multiple by 10% and assign 22x (earlier 24x) to arrive at TP of Rs 1,394 (earlier Rs 1,777) on Dec'27 EPS roll forward basis; thereby downgrading to HOLD (earlier BUY).

We also believe that the company's current multiple of 20x on Dec'27 EPS and current market price reflect 1) Lanreotide issue, 2) margin compression and 3) margins going back to Pre gRevlimid times. Due to Cipla's heavy concentration towards Acute therapy, respiratory (~60% of the global portfolio), margins are likely to remain lower vs peers. Margins prior to Covid were below 20% and during Covid, inched up to 22%; escalation of gRevlimid supplies led to a 25-26% EBITDA margin. With new product launches and foray into segments like biosimilars and peptides, EBITDA margin ex of gRevlimid is likely to scale to 21% vs pre-Covid era of 15-16%.

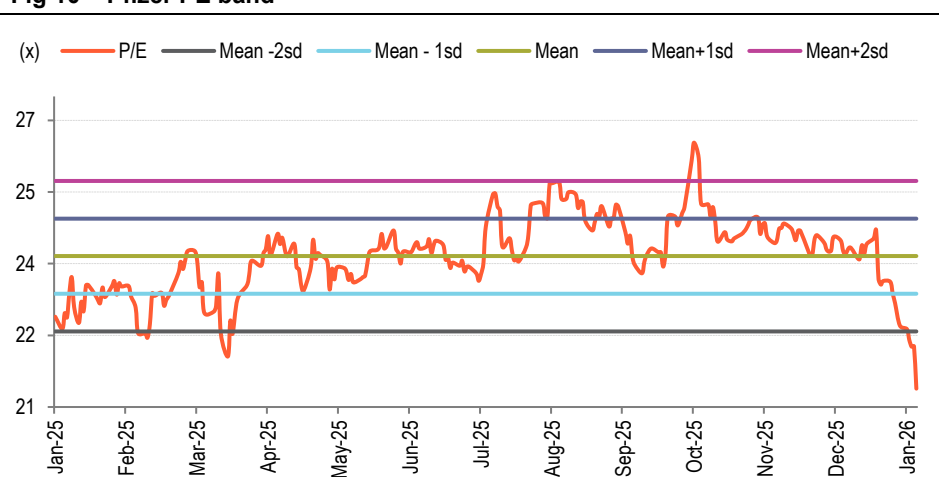
We believe the company's valuation of 21-23x Dec'27E EPS factors in all negatives and reflects a moderation from the earlier 24x multiple. This appears justified, given the 5Y average PE of 23x, supporting a HOLD vs SELL rating.

Fig 9 – Change in Estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales	279,659	304,537	333,871	289,921	303,325	326,325	(3.5)	0.4	2.3
EBITDA	58,326	61,768	70,520	70,023	73,821	80,024	(17)	(16)	(12)
EBITDA margin (%)	20.9	20.3	21.1	24.2	24.3	24.5	(3.3)	(4.1)	(3.4)
EPS (Rs)	54.6	56.3	65.8	62.1	63.9	70.3	(12)	(12)	(6)

Source: Company, BOBCAPS Research

Fig 10 – Pfizer PE band



Source: Company, BOBCAPS Research

Key risks

- Key upside risks to our estimates are:
- Earlier approval from the USFDA to the pharmathen
- Earlier approval and launch for gAdvair
- Key downside risk to our estimates
- Key downside risk are :-
- Delay in approval from the USFDA to the pharmathen beyond H1FY27E

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	257,741	275,480	279,659	304,537	333,871
EBITDA	62,915	71,283	58,326	61,768	70,520
Depreciation	10,510	11,070	11,042	11,729	12,444
EBIT	52,405	60,213	47,284	50,038	58,076
Net interest inc./(exp.)	(899)	(620)	(510)	(420)	(323)
Other inc./(exp.)	7,466	8,610	10,613	11,220	13,307
Exceptional items	0	0	0	0	0
EBT	58,972	68,203	57,387	60,839	71,060
Income taxes	15,466	15,298	13,199	15,313	17,886
Extraordinary items	(1,948)	0	0	0	0
Min. int./Inc. from assoc.	338	185	185	185	185
Reported net profit	41,220	52,720	44,002	45,340	52,989
Adjustments	(1,948)	0	0	0	0
Adjusted net profit	43,168	52,720	44,002	45,340	52,989

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	24,740	28,375	26,817	25,030	27,441
Other current liabilities	9,558	9,033	5,593	3,045	3,339
Provisions	17,410	18,653	18,936	20,620	22,607
Debt funds	5,594	4,382	3,652	2,809	2,161
Other liabilities	0	0	0	0	0
Equity capital	1,615	1,615	1,615	1,615	1,615
Reserves & surplus	262,384	305,364	345,515	387,004	436,141
Shareholders' fund	263,998	306,979	347,130	388,618	437,755
Total liab. and equities	321,300	367,421	402,127	440,123	493,303
Cash and cash eq.	8,750	7,998	4,724	(5,494)	(12,688)
Accounts receivables	47,707	55,064	65,126	73,423	80,495
Inventories	52,380	56,421	58,230	64,245	70,433
Other current assets	50,373	52,884	58,029	57,862	63,436
Investments	55,628	80,440	97,279	126,463	164,402
Net fixed assets	50,690	52,623	53,581	54,851	55,407
CWIP	11,527	15,663	15,663	15,663	15,663
Intangible assets	44,246	46,329	49,495	53,112	56,156
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	321,300	367,421	402,127	440,123	493,303

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	41,304	54,853	33,823	40,696	51,612
Capital expenditures	(13,150)	(15,000)	(12,000)	(13,000)	(13,000)
Change in investments	(18,406)	(24,812)	(16,839)	(29,184)	(37,939)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(31,556)	(39,812)	(28,839)	(42,184)	(50,939)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(2,437)	(1,212)	(730)	(843)	(648)
Interest expenses	(899)	(620)	(510)	(420)	(323)
Dividends paid	(4,037)	(4,037)	(4,037)	(4,037)	(4,037)
Other financing cash flows	(9,272)	(9,923)	(2,981)	(3,431)	(2,859)
Cash flow from financing	(16,644)	(15,793)	(8,258)	(8,731)	(7,867)
Chg in cash & cash eq.	(6,897)	(752)	(3,274)	(10,218)	(7,194)
Closing cash & cash eq.	8,750	7,998	4,724	(5,494)	(12,688)

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	51.2	65.4	54.6	56.3	65.8
Adjusted EPS	53.6	65.4	54.6	56.3	65.8
Dividend per share	5.0	5.0	5.0	5.0	5.0
Book value per share	326.3	379.6	429.1	480.4	541.1

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	4.3	4.1	4.1	3.8	3.5
EV/EBITDA	17.6	15.8	19.6	18.7	16.7
Adjusted P/E	24.5	20.1	24.1	23.4	20.0
P/BV	4.0	3.5	3.1	2.7	2.4

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	73.2	77.3	76.7	74.5	74.6
Interest burden (PBT/EBIT)	112.5	113.3	121.4	121.6	122.4
EBIT margin (EBIT/Revenue)	20.3	21.9	16.9	16.4	17.4
Asset turnover (Rev./Avg TA)	25.2	23.7	21.1	20.5	20.1
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	17.5	18.5	13.5	12.4	12.9

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	13.3	6.9	1.5	8.9	9.6
EBITDA	25.2	13.3	(18.2)	5.9	14.2
Adjusted EPS	44.7	22.1	(16.5)	3.0	16.9

Profitability & Return ratios (%)

EBITDA margin	24.4	25.9	20.9	20.3	21.1
EBIT margin	20.3	21.9	16.9	16.4	17.4
Adjusted profit margin	16.7	19.1	15.7	14.9	15.9
Adjusted ROAE	17.5	18.5	13.5	12.4	12.9
ROCE	23.4	23.7	17.5	16.5	17.2

Working capital days (days)

Receivables	68	73	85	88	88
Inventory	74	75	76	77	77
Payables	35	38	35	30	30

Ratios (x)

Gross asset turnover	1.4	1.4	1.4	1.4	1.4
Current ratio	3.1	3.1	3.6	3.9	3.8
Net interest coverage ratio	58.3	97.1	92.7	119.2	179.8
Adjusted debt/equity	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**

Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**



Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

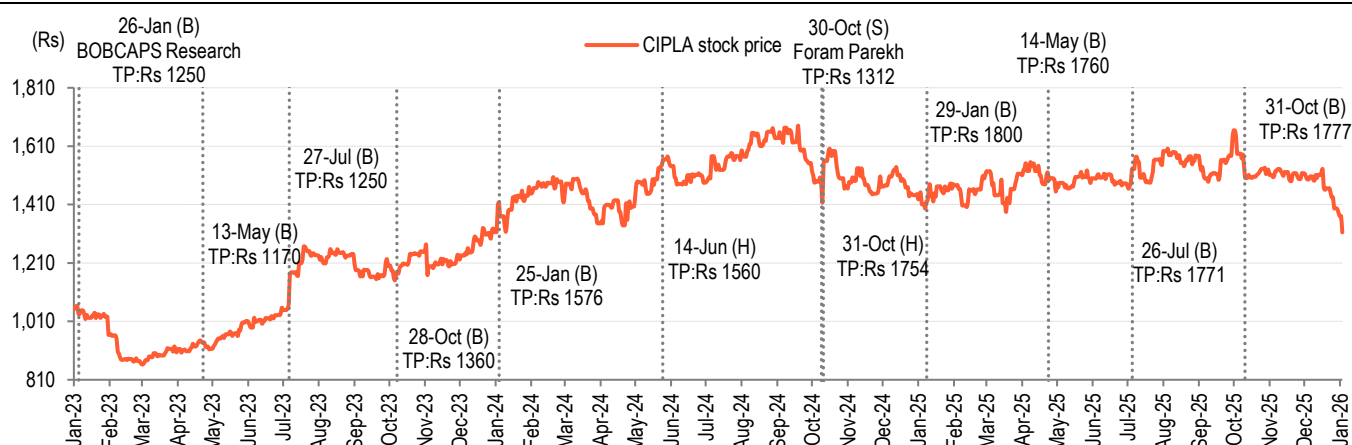
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): CIPLA (CIPLA IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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