

BUY

TP: Rs 1,760 | ▲ 16%

CIPLA

| Pharmaceuticals

| 14 May 2025

Healthy new product launches from H2FY26

- Revenue/PAT surpassed our Q4 estimates by 2.5%/12.8%, while EBITDA was 2.4% below estimates. Higher PAT due to lower tax rate of 18.6%
- Healthy respiratory pipeline launches of Advair, Symbicort, QVAR, followed by peptides to mitigate the downfall in Revlimid sales
- Retain BUY and continue to ascribe 28x due to healthy cash (~USD1bn) to be utilised towards inorganic activity; to arrive at a TP of Rs 1,760

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Healthy 4Q: CIPLA reported a mixed set of numbers where sales grew by 9% YoY, driven by strong growth across geographies. Domestic region grew by 8.5%, North America region by 2.3%; SAGA saw a growth of 7.5% and the international market witnessed that of 20.6%. Better product mix resulted in 67.5% gross margin being offset by higher employee costs, resulting in EBITDA margin at 22.8%. Healthy operations, higher other income and lower tax rate of 18.6% led to 30% YoY growth in PAT.

Domestic growth to surpass IPM growth - Cipla domestic market grew by 8.5%, driven by growth across branded generics, trade generics and consumer health. The growth was primarily led by chronic portfolio, which forms ~61.5% of sales. Respiratory therapy continues to be the largest contributing therapy, where Foracort has become the no.1 brand of IPM, clocking sales of Rs 9bn as on MAT Mar'25. Going forward, all three segments are expected to sustain the growth momentum, followed by strategic alliances including inorganic activities, in-licensing deal and launching innovative products. Therefore, we expect the India region sales to grow at 10% CAGR from FY25-27E.

US growth to decline marginally as gRevlimid loses patent - Cipla's North America region clocked sales growth of 2.3% in INR terms. In cc terms, sales declined by 1.9% to USD 221 mn. Sales in cc terms were lower as Lanreotide sales did not reach its peak capacity and lower market share of for Albuterol in a seasonally weak quarter, which was offset by higher volume growth in gRevlimid. However, the company remains optimistic about its US pipeline, and expects Lanreotide supplies like peak level soon, followed by Advair launch (market size of USD1,084mn) in FY26, 2-3 peptide launches, complex respiratory launches (global respiratory filing 30% of sales) like gSymbicort (market size of USD 2.4bn) and QVAR launch in FY27. However, as gRevlimid loses patent in Jan'26, we expect sales to start lowering from FY26 as competition intensifies (expect USD 70mn in FY26 and 10mn in FY27E). Hence, we expect the overall US region to grow at -3% CAGR from FY25-27E.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	CIPLA IN/Rs 1,520
Market cap	US\$ 14.4bn
Free float	65%
3M ADV	US\$ 26.3mn
52wk high/low	Rs 1,702/Rs 1,335
Promoter/FPI/DII	33%/26%/24%

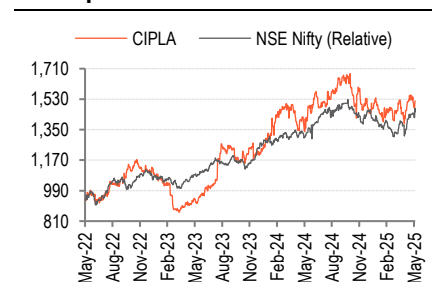
Source: NSE | Price as of 13 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	275,480	291,185	305,464
EBITDA (Rs mn)	71,283	70,479	73,570
Adj. net profit (Rs mn)	52,720	53,105	50,988
Adj. EPS (Rs)	65.4	65.9	63.3
Consensus EPS (Rs)	65.4	64.1	66.3
Adj. ROAE (%)	18.5	16.1	13.5
Adj. P/E (x)	23.2	23.1	24.0
EV/EBITDA (x)	16.6	16.5	15.5
Adj. EPS growth (%)	22.1	0.7	(4.0)

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



SAGA's strong sales momentum to continue - CIPLA has reported 7.5% sales growth in the SAGA region, where the South Africa sales grew by 7% to Rs 7.3bn vs market growth of 5%. Growth is largely driven by prescription sales that grew by 8.3% vs market growth of 5.6%, followed by OTC growth of 3.9% vs market growth of 3.8%. Therapeutically, growth was driven by healthy performance across key therapies like Respiratory, CNS and Anti-infectives. Cipla launched 18 new products in FY25. SAGA is a good margin business; the focus is to increase margin by not bidding for tenders, which may dilute margins. So, focus is largely on the private market, which will likely continue outperforming markets. Overall, growth in this region would be driven by 1) OTC-led growth driven by Actor portfolio 2) tender business growth 3) new product launches. Hence, we expect the SAGA region to continue growing at 9% CAGR from FY25-27.

FY26 EBITDA margin guidance maintained at similar levels of 23.5-24.5% - CIPLA maintained its EBITDA margin guidance similar to FY25 at 23.5-24.5%, despite the likelihood of gRevlimid facing intense competition in FY26 amidst patent expiry in Jan'26. EBITDA margin guidance is maintained due to 1) a slew of new complex product launches, largely in the North America region from H2FY25 onwards (2) above IPM level growth in the domestic region 3) strong growth in the South Africa region, driven by CIPLA's focus on the high-margin tender business. Hence, we expect CIPLA to maintain 24% EBITDA margin amidst Revlimid going off-patent.

Valuation - Outlook across businesses is robust as CIPLA expects the India region to surpass IPM growth of 8-10%, followed by a healthy pipeline of launches in the North America region to offset gRevlimid patent expiry. Cipla has various complex generic respiratory product launches like gAdvair, Symbicort and Qvar, followed by 2-3 peptide launches in FY26, and the launch of 5052b. The market share of a key product like Albuterol is also maintained at 18% in a seasonally weak quarter and Lanreotide supply is expected to reach its peak level. The South Africa market is expected to sustain its above-market-growth rate driven by OTC and private market. Hence, we expect the overall EBITDA margin to sustain at 24% by FY27.

We believe Cipla has many high-value, low-competition product launches in the near term to offset gRevlimid base in the North America market, followed by participation in GLP products in the first wave and healthy cash balance (USD 1bn in FY25) for inorganic activities. Hence, we retain BUY and continue to ascribe 28x for its complex generic portfolio in the North America region to arrive at a TP of Rs 1,760.

Concall Highlights

North America

North America business achieved a quarterly revenue of \$221 million with an all-time high annual revenue of \$934 million.

Albuterol market share – At 18%, Albuterol market share remains steady for the quarter.

Lanreotide – In terms of volume, Q4FY25 was better than Q3FY25. The company has started seeing supply normalisation for Lanreotide and remains optimistic about reaching previous levels from the earlier quarter.

Advair - Advair will be commercialised from their site in the US, and the product has taken batches and gone through the regulatory process. Management expects the launch in FY26 depending on how the US prioritises domestic site filings.

Lenalidomide - will continue to be in the growth trajectory. It is a mix that is likely to change with one of the key reasons being generic Revlimid, which will go out of exclusivity towards the last quarter, impacting overall margins.

Recent approval - Received drug approval for Nilotinib (NDA) and Nano Paclitaxel. The company has already started selling Nano paclitaxel (The addressable market was Rs 800 - 900 million pre-generic) in a couple of EM/EU geographies and is hoping to do the same in the US soon.

India market

One India sales – surpassed landmark sales of Rs 11bn, reflecting strength in domestic market driven by substantial progress across the branded prescription, trade generics and consumer health.

Branded Generics – Chronic therapies of Respiratory, Cardiac and Urology continue outpacing market growth. Chronic mix stands at 61.5%, as per IQVIA MAT 25. Foracort, a leading inhalation brand, crossed Rs 9bn sales, reaffirming its position as a market leader.

Trade Generics – Continued its upward trajectory on the back of vigorous execution and distribution, new launches and technological advancement.

Consumer Health – This segment reported strong double-digit growth for the quarter and FY25. Anchor brands Nicotex, Omnigel and Cipladine maintain leadership position in their respective segments.

Strategic alliances – Partnered with Orchid Pharma to launch antibiotic Cefepime-Enmetazobactam in India.

Non-exclusive patent license agreement with Takeda to commercialise the Vonoprazan drug in India.

Exclusive marketing and distribution agreement with US-based MannKind Corporation for Afrezza® in India.

Cipla will be launching innovative products like inhaled insulin, has secured approval to introduce ZEMDRI® (plazomicin) injection in India and is backed by a good pipeline of high potential assets in various stages of development.

One Africa - In the private market, secondary growth outpaced market growth at 6.7% vs 4.9%, enhancing the competitive edge.

Emerging market - Strategic focus on deep market penetration has established a solid foundation, delivering quarterly revenue growth of 16% YoY and annual revenue growth of 15% YoY. After four years of stable performance, the EMEU business is entering a phase of growth.

R&D - Filed six assets including the generic versions of Symbicort and QVAR, with launches expected in line with the review process.

Four more respiratory assets will be filed in the next 12 to 18 months.

Closer to commercialising generic Advair in FY26; pleased by the promulgation signed by administration for approving the launches from US facilities faster.

In peptides and complex generics, nine assets are already filed, and some launches projected between FY26 and FY28. Aim to file 10 more peptides and complex generic assets in the next 12 to 24 months. The company remains committed to launching two to three peptide assets in FY26.

Capital allocation plans - India, as a growth market, always gives good return on capital, as you invest in people and capex (5% of sales), and also continue to look at small to large M&A opportunities that can come in the form of companies as well as product portfolio etc. In the **US**, consider partnerships where complex generic ANDAs or NDAs can be acquired, which require paying a certain milestone upfront where you start commercialising the assets that you have. **EMUs** – The company looks at mid-sized acquisitions out there and considers those as a kind of opportunity.

China facility - got capitalised recently, and the product supply has started from there. Both facilities in the US are getting ready to start supplying MDI and DPI. There is a large maintenance capex as well that is ongoing.

Guidance

US region to clock Q1FY26 sales ~USD220mn

IPM expected to grow at 8-10%. Expect Cipla domestic region to clock sales higher than the IPM growth

R&D as a % to sales to remain at 6 – 6.5%

EBITDA margin guided for 23.5-24.5%

Financial Highlights

Fig 1 – Financial Summary

(Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY26E	FY27E
Net Sales	67,297	61,632	9.2	70,730	(5)	275,480	291,185	305,464
Total Expenses	51,921	48,474		50,841		204,197	220,706	231,894
(%) of net sales	77	79		72		74	76	76
Raw material consumed	21,890	20,501	6.8	22,641		89,290	99,003	100,803
(%) of net sales	33	33		32		32	34	33
Staff cost	12,331	10,842	13.7	11,976	3.0	48,328	52,195	56,370
(%) of net sales	18.3	17.6		16.9		18	18	18
R&D cost	4,038	4,440	(9.1)	3,607	11.9	15,151	17,471	18,328
(%) of net sales	6.0	7.2		5.1		6	6	6
SG&A	13,662	12,690	7.7	12,616	8.3	66,579	53,105	57,168
(%) of net sales	20.3	20.6		17.8		24	18	19
EBITDA	15,376	13,159	16.9	19,889	(22.7)	71,283	70,479	73,570
Depreciation	3,087	2,883	7.1	2,798	10.3	11,070	11,042	12,263
EBIT	12,289	10,275	19.6	17,091	(28.1)	60,213	59,437	61,308
Interest	140	176	(20.3)	146	(4.2)	620	402	323
Other Income	2,895	2,493	16.1	2,216	30.6	8,610	9,286	7,402
PBT	15,043	12,593	19.5	19,161	7	68,203	68,322	68,387
Less: Taxation	2,793	3,249		3,324	(16.0)	15,298	15,031	17,213
Less: Minority Interest	32	(46)		132		185	185	185
Recurring PAT	12,218	9,390	30.1	15,705	23	52,720	53,105	50,988
Exceptional items	0	0		0		0	0	0
Reported PAT	12,218	9,390	30.1	15,705	23	52,720	53,105	50,988
Key Ratios (%)								
Gross Margin	67.5	66.7	74	68.0	100.0	67.6	66.0	67.0
EBITDA Margin	22.8	21.4	150	28.1	467.6	25.9	24.2	24.1
Tax / PBT	18.6	25.8		17.3	(236.6)	22.4	22.0	25.2
NPM	18.2	15.2	292	22.2	(468.2)	19.1	18.2	16.7
EPS (Rs)	15.2	11.6		19.5	0.0	65.4	65.9	63.3

Source: Company, BOBCAPS Research

Fig 2 – Revenue Mix

(Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY26E	FY26E
Formulations	64,550	58,810	9.8	68,510	(5.8)	266,460	281,431	294,911
India	26,220	24,170	8.5	31,460	(16.7)	116,150	130,271	140,693
North America	19,190	18,750	2.3	19,060	0.7	78,990	76,051	74,572
SAGA	10,190	8,470	20.3	9,750	4.5	38,270	40,076	42,510
International	8,950	7,420	20.6	8,240	8.6	33,050	35,033	37,135
APIs	1,820	1,890	(3.7)	1,260	44.4	5,660	6,226	6,849
Others	920	940	(2.1)	960	(4.2)	3,360	3,528	3,704
Net Sales	67,290	61,640	9.2	70,730	(5)	275,480	291,185	305,464

Source: Company, BOBCAPS Research

Valuation Methodology

CIPLA reported a decent set of 4QFY25 earnings, driven by growth across key geographies like India, North America, One Africa, and international markets. The North America region maintained its USD220 mn run rate, driven by gRevlimid's volume growth and a higher-than-3QFY25 sales of Lanreotide. In the domestic region too, growth was driven across segments of branded generics, trade generics and OTC. A healthy product mix led to sustaining the gross margin at 67%, which was offset by higher employee cost; hence EBITDA margin reported at 22.8%.

Going forward, the outlook across businesses looks robust as CIPLA expects the India region to surpass the 8-10% IPM growth, followed by a healthy pipeline of launches in the North America region to offset gRevlimid patent expiry. Cipla has various complex generic respiratory product launches like gAdvair, Symbicort and Qvar, followed by 2-3 peptide launches in FY26, and the launch of 5052b. Market share of a key product like Albutrol is also maintained at 18% in a seasonally weak quarter; Lanreotide supply is expected to reach its peak levels. The South Africa market is expected to sustain its above market growth rate, driven by OTC and private market. Hence, we expect the overall EBITDA margin to rise to 24% by FY27.

We believe Cipla has many high-value, low-competition product launches in the near term to offset higher base of gRevlimid in the US market, followed by participation in GLP products in the first wave and healthy cash balance (USD 1bn in FY25) for inorganic activities. Hence, we retain BUY and continue to ascribe 28x to arrive at a TP of Rs 1,760.

Key Risks

Key downside risks to our estimates:

- Delay in the launch of gAbraxane
- No resolution of supply issues for Lanreotide

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Total revenue	227,530	257,741	275,480	291,185	305,464
EBITDA	50,269	62,915	71,283	70,479	73,570
Depreciation	11,721	10,510	11,070	11,042	12,263
EBIT	38,548	52,405	60,213	59,437	61,308
Net interest inc./(exp.)	(1,095)	(899)	(620)	(402)	(323)
Other inc./(exp.)	4,755	7,466	8,610	9,286	7,402
Exceptional items	0	0	0	0	0
EBT	42,207	58,972	68,203	68,322	68,387
Income taxes	12,029	15,466	15,298	15,031	17,213
Extraordinary items	(1,824)	(1,948)	0	0	0
Min. int./Inc. from assoc.	336	338	185	185	185
Reported net profit	28,018	41,220	52,720	53,105	50,988
Adjustments	(1,824)	(1,948)	0	0	0
Adjusted net profit	29,842	43,168	52,720	53,105	50,988

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	24,571	24,740	28,375	27,922	25,107
Other current liabilities	9,375	9,558	9,033	5,824	3,055
Provisions	13,888	17,410	18,653	19,716	20,683
Debt funds	8,031	5,594	4,382	3,652	2,809
Other liabilities	0	0	0	0	0
Equity capital	1,614	1,615	1,615	1,615	1,615
Reserves & surplus	232,589	262,384	305,364	354,618	401,755
Shareholders' fund	234,203	263,998	306,979	356,233	403,370
Total liab. and equities	290,067	321,300	367,421	413,346	455,023
Cash and cash eq.	15,646	8,750	7,998	8,467	9,770
Accounts receivables	40,570	47,707	55,064	67,810	73,646
Inventories	51,564	52,380	56,421	60,630	64,440
Other current assets	43,125	50,373	52,884	60,421	58,038
Investments	37,222	55,628	80,440	97,279	126,463
Net fixed assets	49,908	50,690	52,623	53,581	54,318
CWIP	10,933	11,527	15,663	15,663	15,663
Intangible assets	41,099	44,246	46,329	49,495	52,685
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	290,067	321,300	367,421	413,346	455,023

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash flow from operations	23,805	41,304	54,853	37,458	51,694
Capital expenditures	(907)	(13,150)	(15,000)	(12,000)	(13,000)
Change in investments	(11,102)	(18,406)	(24,812)	(16,839)	(29,184)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(12,009)	(31,556)	(39,812)	(28,839)	(42,184)
Equities issued/Others	1	0	0	0	0
Debt raised/repaid	(2,527)	(2,437)	(1,212)	(730)	(843)
Interest expenses	(1,095)	(899)	(620)	(402)	(323)
Dividends paid	(4,036)	(4,037)	(4,037)	(4,037)	(4,037)
Other financing cash flows	(7,778)	(9,272)	(9,923)	(2,981)	(3,005)
Cash flow from financing	(15,435)	(16,644)	(15,793)	(8,150)	(8,207)
Chg in cash & cash eq.	(3,639)	(6,897)	(752)	469	1,303
Closing cash & cash eq.	15,646	8,750	7,998	8,467	9,770

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	34.8	51.2	65.4	65.9	63.3
Adjusted EPS	37.0	53.6	65.4	65.9	63.3
Dividend per share	5.0	5.0	5.0	5.0	5.0
Book value per share	286.7	326.3	379.6	440.4	498.7

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	5.3	4.6	4.3	4.0	3.7
EV/EBITDA	23.9	18.9	16.6	16.5	15.5
Adjusted P/E	41.0	28.4	23.2	23.1	24.0
P/BV	5.3	4.7	4.0	3.5	3.0

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	70.7	73.2	77.3	77.7	74.6
Interest burden (PBT/EBIT)	109.5	112.5	113.3	114.9	111.5
EBIT margin (EBIT/Revenue)	16.9	20.3	21.9	20.4	20.1
Asset turnover (Rev./Avg TA)	24.6	25.2	23.7	21.7	19.9
Leverage (Avg TA/Avg Equity)	1.1	1.0	1.0	1.0	1.0
Adjusted ROAE	13.6	17.5	18.5	16.1	13.5

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
YoY growth (%)					
Revenue	4.5	13.3	6.9	5.7	4.9
EBITDA	10.4	25.2	13.3	(1.1)	4.4
Adjusted EPS	10.6	44.7	22.1	0.7	(4.0)

Profitability & Return ratios (%)

EBITDA margin	22.1	24.4	25.9	24.2	24.1
EBIT margin	16.9	20.3	21.9	20.4	20.1
Adjusted profit margin	13.1	16.7	19.1	18.2	16.7
Adjusted ROAE	13.6	17.5	18.5	16.1	13.5
ROCE	18.7	23.4	23.7	20.5	17.9

Working capital days (days)

Receivables	65	68	73	85	88
Inventory	83	74	75	76	77
Payables	39	35	38	35	30

Ratios (x)

Gross asset turnover	1.4	1.4	1.4	1.4	1.4
Current ratio	3.2	3.1	3.1	3.7	4.2
Net interest coverage ratio	35.2	58.3	97.1	148.0	189.8
Adjusted debt/equity	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)

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

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

BUY – Expected return >+15%

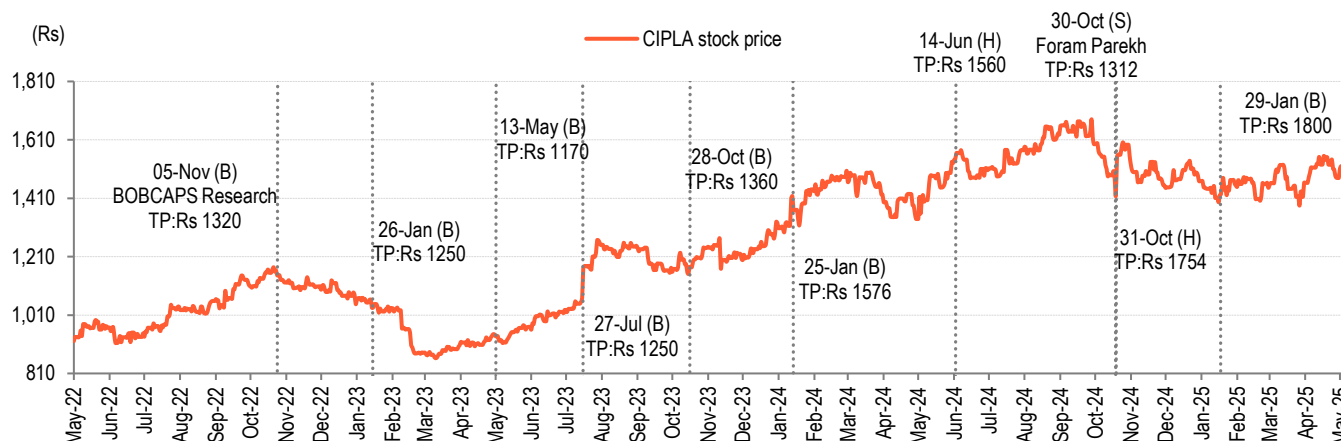
HOLD – Expected return from -6% to +15%

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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