

HOLD
 TP: Rs 1,378 | ▲ 4%

CIPLA

| Pharmaceuticals

| 14 May 2026

Mixed Earnings; exciting set of new products awaited

- Sales/EBITDA/PAT reported 1%/11%/30% below estimates. Gross Margin reported 360 bps above; EBITDA Margin 176 bps below estimates
- Huge cash balance of Rs 13bn as on FY26; the company would scout for opportunities in the specialty segment for regulated markets
- R&D spend towards complex products to support 5 years growth. Ascribe 22x, roll forward to Mar’28 EPS; TP of Rs 1,378; Maintain Hold

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Mixed set of earnings – Cipla reported mix set of 4QFY26 earnings, where sales declined by 3% YoY (1% below our estimates) to Rs 65.4bn. The decline in sales was due to a 26% fall in the US region, offset by 15% YoY growth in the domestic region to Rs 30bn and 21% YoY growth in One Africa. Lower product mix and 3% YoY growth in RM cost led to a 5% YoY fall in gross profit to Rs 42.9bn and 180 bps reduction in gross margin at 65.6% (360 bps above our estimates). R&D cost went up by 26% YoY, due to higher API prices (APIs used in development) and increasing spend towards complex products like peptides and Oligonucleotides (sourcing to CROs for development) led to 35% YoY decline in EBITDA (11% below our estimates) and 761 bps YoY decline in EBITDA Margin at 15.2% (ex of high-margin products like Lenalidomide and Lanreotide). Depreciation also increased by 24% YoY to Rs 3.8bn, due to the last 3 years of higher capex towards building facilities and Rs 420 mn of impairment towards the change of business conditions and dynamics — thereby leading to 54% YoY decline in reported PAT to Rs 5.5bn. Adjusting against impairment, PAT declined by 37% YoY to Rs 5.9bn.

Domestic business sales growth across segments – During 4QFY26, domestic region grew by 15% YoY to Rs 30bn, driven by a double-digit growth across Rx portfolio, OTC and trade generics. The Rx business growth was driven by healthy Chronic contribution of 60%, new launches and making big brands bigger. Cipla’s 4 new brands got added to Rs 1bn club totaling 33 brands with sales of Rs 1bn. Cipla’s key brand Foracort clocked sales of Rs 10bn and Dytor clocked Rs 6.5bn sales as on MAT Mar’26 in the IPM. Cipla’s double-digit growth was purely organic (1-2% contribution from Yurpeak). Going forward, we believe that growth will likely come on the back of 1) higher chronic share 2) good in-licensing products (Pfizer’s key brands) 3) scaling big brands bigger 4) launching specialised/innovative products. Thus, we expect company to clock 12% CAGR from FY27-29 to Rs 178bn in FY29E.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	CIPLA IN/Rs 1,328
Market cap	US\$ 11.3bn
Free float	65%
3M ADV	US\$ 24.5mn
52wk high/low	Rs 1,673/Rs 1,166
Promoter/FPI/DII	33%/26%/24%

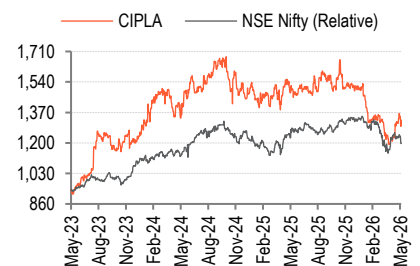
Source: NSE | Price as of 13 May 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	281,626	309,510	342,903
EBITDA (Rs mn)	59,249	59,556	68,822
Adj. net profit (Rs mn)	41,971	41,271	50,496
Adj. EPS (Rs)	52.1	51.2	62.7
Consensus EPS (Rs)	48.1	55.2	64.9
Adj. ROAE (%)	13.1	11.6	12.7
Adj. P/E (x)	25.5	25.9	21.2
EV/EBITDA (x)	19.4	19.5	17.3
Adj. EPS growth (%)	(20.4)	(1.7)	22.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



North America sales declined on lack of key products contribution - During the quarter, North America sales declined by 26% to Rs 14.1bn, due to the absence of key products like Lenalidomide and Lanreotide and lower market share of 19.5% in gAlbuterol. Going forward, the company has many new launches to offset the gRevlimid base, which includes 5 respiratory products, biosimilars (own and partnered) and Peptide launches. Out of the 5 respiratory launches, the company has received approval of gVentolin (6-month exclusivity) and has filed the remaining 4 respiratory assets. The company expects to launch 4 in-house products — of which — 2 are meaningful in H2FY27E. The company is also developing its own biosimilars and would participate in peptides through partner to enable reaching ~USD1bn sales by FY28E. The new launches will likely be filed from Goa (the last inspection received 2 observations; expect clearance soon) and US plant (last 3 years increased the capex to build up capacities). We have factored in gVentolin and would factor in the other new launches gradually as the products receive approvals — thereby arriving at a sales CAGR of 9% YoY from FY27-29E to Rs 90.3bn in FY29E.

Valuation & Our View – With the launch of new products, the company expects opex cost rationalisation — resulting in a change in the product mix. Thus, we expect Cipla to clock 19% EBITDA margin in FY27E and 20% in FY28E. Factoring in a higher depreciation for FY27, our EPS reduces by 4% in FY27E and remains stable in FY28E at Rs 51.2 and Rs 62.6 per share respectively.

At CMP, the stock trades at 25.9x FY27E EPS and 21.1x FY28E EPS. We continue to ascribe 22x, in line with 10Y mean of 23x and roll forward to Mar'28 EPS, to arrive at TP of Rs 1,378. Maintain HOLD.

Financial Highlights

Fig 1 – Quarterly Snapshot

(Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Q4FY26E	Var (%)
Net Sales	65,412	67,297	(2.8)	70,745	(7.5)	65,775	(0.6)
Total Expenses	55,442	51,921	6.8	58,194	(4.7)	54,593	1.6
(%) of net sales	85	77		82		83	
Raw material consumed	22,487	21,890	2.7	26,321	(14.6)	24,995	(10.0)
(%) of net sales	34	33		37		38	
Staff cost	14,143	12,331	14.7	13,250	6.7	12,497	13.2
(%) of net sales	21.6	18.3		18.7		19.0	
R&D cost	5,090	4,038	26.1	4,940	3.0	3,947	29.0
(%) of net sales	7.8	6.0		7.0		6.0	
SG&A	13,723	13,662	0.4	13,684	0.3	13,155	4.3
(%) of net sales	21.0	20.3		19.3		20.0	
EBITDA	9,970	15,376	(35.2)	12,551	(20.6)	11,182	(10.8)
Depreciation	3,829	3,087	24.0	2,784	37.6	2,631	45.5
EBIT	6,141	12,289	(50.0)	9,767	(37.1)	8,551	(28.2)
Interest	131	140	(6.3)	140	(6.4)	145	(9.4)
Other Income	1,482	2,895	(48.8)	2,063	(28.2)	2,100	(29.4)
PBT	7,491	15,043	(50.2)	11,690	(58.9)	10,506	(28.7)
Less: Taxation	1,570	2,793	(43.8)	2,186	(28.2)	1,996	(21.4)
Less: Minority Interest	(45)	32	(242.5)	(13)	262.4	235	
Recurring PAT	5,967	12,218	(51.2)	9,517	(37.3)	8,275	(27.9)
Exceptional items	(420)	0		(2,759)		0	
Reported PAT	5,546	12,218	(54.6)	6,758	(37.3)	8,275	(33.0)
Key Ratios (%)							
Gross Margin	65.6	67.5	(184.9)	62.8	100.0	62.0	100.0
EBITDA Margin	15.2	22.8	(760.6)	17.7	(249.9)	17.0	(175.9)
Tax / PBT	21.0	18.6	238.7	18.7	225.7	19.0	195.2
NPM	9.1	18.2	(903.4)	13.5	(433.1)	12.6	(345.9)
EPS (Rs)	7.4	15.1	(51.1)	11.8	(37.3)	10.3	(27.9)

Source: Company, BOBCAPS Research

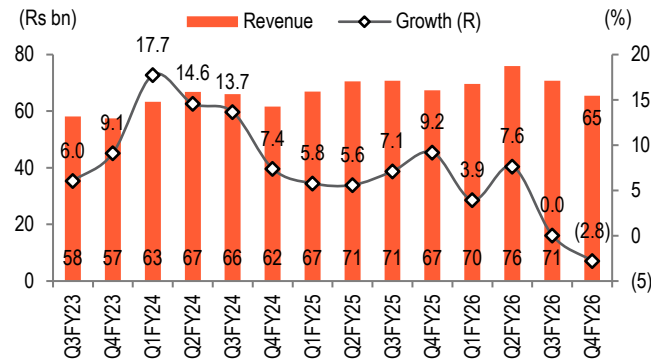
Fig 2 – Revenue Mix

(Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Q4FY26E	Var (%)
Formulations	64,760	64,550	0.3	68,720	(5.8)	62,807	3.1
India	30,070	26,220	14.7	34,570	(13.0)	28,318	6.2
North America	14,140	19,190	(26.3)	14,850	(4.8)	14,393	(1.8)
SAGA	12,360	10,190	21.3	10,010	23.5	10,700	15.5
International	8,190	8,950	(8.5)	9,290	(11.8)	9,398	(12.8)
APIs	640	1,820	(64.8)	1,440	(55.6)	2,002	(68.0)
Others	-	920	(100.0)	590	(100.0)	966	
Net Sales	65,412	67,297	(2.8)	70,745	(7.5)	65,775	(0.6)

Source: Company, BOBCAPS Research

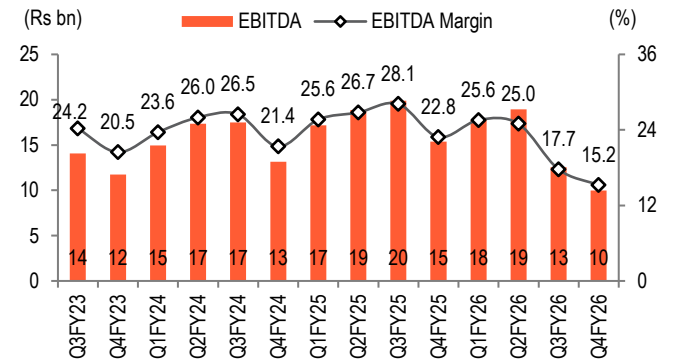
Financial Charts

Fig 3 – Revenue growth rate declined, owing to low North America sales



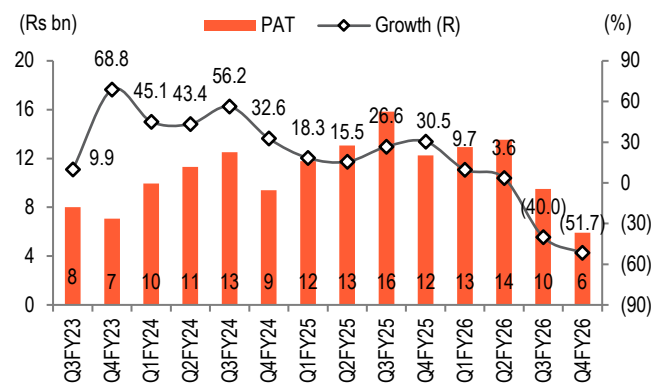
Source: Company, BOBCAPS Research

Fig 4 – EBITDA Margin at its lowest in the past 7 quarters



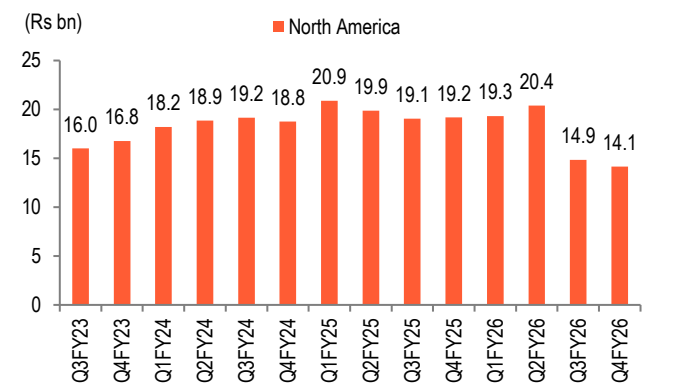
Source: Company, BOBCAPS Research

Fig 5 – PAT declined due to lower operations



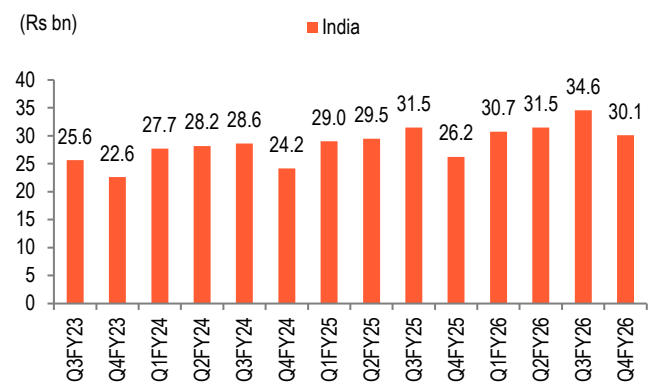
Source: Company, BOBCAPS Research

Fig 6 – North America sales lower due to decreased Lanreotide sales



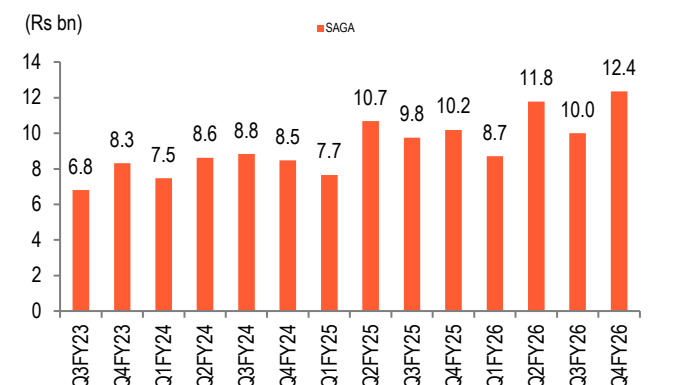
Source: Company, BOBCAPS Research

Fig 7 – Domestic sales inched higher YoY, due to outperformance in key therapies



Source: Company, BOBCAPS Research

Fig 8 – SAGA revenue at the highest level in 7 quarters, with sustained momentum driven by private market outperformance



Source: Company, BOBCAPS Research

Earning Call Highlights

Outlook

- **FY27 EBITDA margin** guided at 18.5% to 20%; sequential improvement expected OoQ, with H2 materially better than H1.
- **North America** targeting USD 1 bn of run rate by the end of FY27 - not a full-year revenue guidance; Lanreotide excluded.
- **R&D** guided at approximately 7% of sales; the mix weighed towards complex respiratory, peptide, and oligonucleotide assets.

One India

- **Sales:** One India business crossed Rs 125,000 mn in FY26; Q4FY26 grew 15% YoY.
- **Growth drivers:** Growth driven by respiratory recovery, chronic portfolio expansion, new launches, and strategic in-licensing.
- **Branded and Trade generics growth:** Branded Rx grew 9% for the full year FY26; both branded and trade generics delivered double-digit growth in Q4.
- **In-licensing contribution:** Pfizer brands, Tirzepatide (Eli Lilly), Afrezza (Mankind), and Inspira Healthcare acquisition additive to portfolio.
- **Therapy performance:** Respiratory, Anti-Diabetes, and Cardiac — each grew in double digits; Urology-led growth. Foracort crossed Rs 10,000 mn; Dytor crossed Rs 6,500 mn with 25% YoY growth. Cipla Respiratory crossed Rs 50,000 Mn in IPM (IQVIA MAT March 2026).
- **Chronic mix:** 60% of branded sales per IQVIA MAT March 2026.
- **Brands:** Added 4 new Rs100 crore-plus brands, total now 33; 23 brands in IPM Top-300.
- **New launches:** Foracort G Synchronbreathe, Ciphaler, Voltido Trio (respiratory); Zemdri, Cipenmet, Empacip (AMR); XTIKTR (urology); Empagliflozin-led SGLT2 portfolio (diabetes); scar management solution (dermatology).

North America

- **Sales:** North America revenue at USD 155 mn for Q4FY26; full-year FY26 at USD 780 mn.
- **Base business:** Base business (ex-Lanreotide) continued growing, supported by differentiated portfolio and tele-based channels.
- **Albuterol:** Retained No. 1 in US Albuterol MDI market at 19.6% share (IQVIA MAT March 2026).
- **Generic Ventolin (CPP):** First AB-rated generic Ventolin approval received - first commercial MDI from Cipla US facility. Launch planned Q1 FY27; 6-month exclusivity; meaningful ramp-up in revenue expected H2 FY27.

- **Lanreotide:** Supply disrupted due to partner USFDA inspection; remediation underway. Alternate US manufacturing site identified; ANDA filing targeted in the early 2027. Excluded from FY27 guidance - treated as an upside.
- **Pipeline:** 40 to 50 filings planned over 3 years; 12 first-to-file, 8 Para-IV opportunities; 4 respiratory launches expected FY27 (Advair, Ventolin, & two more); large peptide asset (H2 FY27).
- **Biosimilars:** Two assets in development (one in clinical trial under IND; one early-stage); JV with Chemwell; targeting 6 to 8 in-house assets over 5 to 8 years. USD 200 billion opportunity per management.

One Africa

- Q4FY26 growth of 14% YoY; FY26 annual growth of 7% YoY (USD terms).
- Private market secondary growth of 6.6% outpaced market growth of 4.8%.
- FY27 focus: improving private market mix with correction in tender contribution.

EMEU

- Crossed USD 400 mn revenue milestone in FY26, despite the geopolitical disruption from the war.
- Resilient performance driven by the GTM and B2B categories; consistent margin stability maintained.
- **FY27 priority:** to deepen penetration in core markets while maintaining strong margin trajectory.

Other Highlights

- **Tirzepatide (Eli Lilly - Yurpeak):** Pan-India marketing rights secured; focus beyond metros; early traction in obesity segment with differentiated GLP-1/GIP dual mechanism.
- **Afrezza (Mankind):** India's first rapid-acting inhaled insulin launched - reinforces the differentiated Diabetes strategy.
- **AI-led transformation:** End-to-end AI implementation across quality, regulatory, corporate functions, and R&D for productivity gains and a faster decision-making.
- **Capital allocation:** R&D acceleration is top priority; capex cycle nearing the end after one more year; selective M&A with bias towards differentiated specialty assets for US and Europe. Net cash at Rs 105,260 mn provides flexibility.
- **Gross margin outlook:** Positive bias expected - in-house respiratory assets accretive; chronic mix improvement in India supportive; peptide profit-share is gross-to-net, but significantly EBITDA-accretive. Near-term war-related cost pressures monitored.
- **Regulatory:** Three Indian facilities (Bommasandra, Sitec, Medispray/Goa) inspected by USFDA in FY26; all resulted in VAI/NAI classification.

Valuation Methodology

Cipla reported a mixed set of earnings, where gross margin came above our expectations. However, PAT was below our estimates, due to higher depreciation. Going forward, management has guided for weaker Q1 margins due to 1) the Middle-East war impact 2) lack of contribution from key products 3) no new meaningful launches (to begin from H2FY27) that has lowered the EBITDA margin guidance to 18-20% in FY27 vs 21% in FY26.

With the launch of new products, the company expects opex cost rationalisation and change in the product mix. Thus, we expect Cipla to clock 19% EBITDA margin in FY27E and 20% in FY28E. Factoring in a higher depreciation for FY27, our EPS reduces by 4% in FY27E and remains stable in FY28E at Rs 51.2 and Rs 62.6 per share respectively.

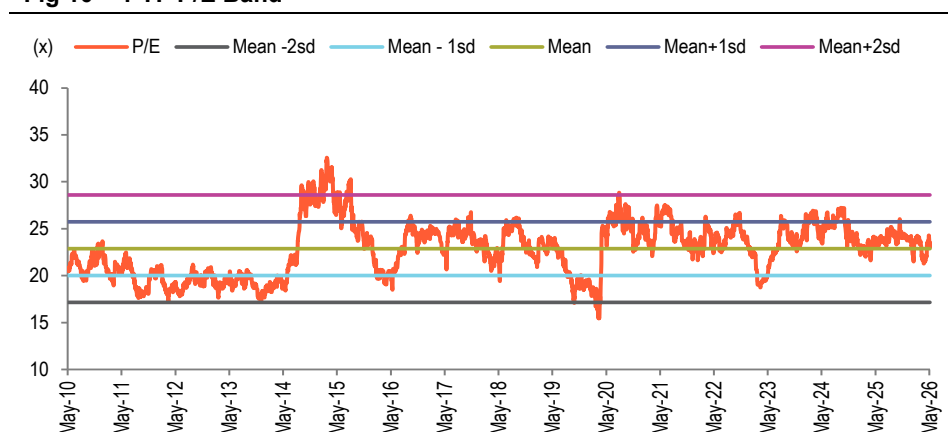
At CMP, the stock trades at 25.9x FY27E EPS and 21.1x FY28E EPS. We continue to ascribe 22x, in line with 10Y mean of 23x and roll forward to Mar'28 EPS, to arrive at TP of Rs 1,378. Maintain HOLD.

Fig 9 – Change in Estimates

(Rs mn)	New		Old		Variance	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Sales	309,510	342,903	307,652	337,420	1	2
EBITDA	59,556	68,822	59,237	67,784	1	2
EBITDA Margin (%)	19	20	19	20	0.0bps	0.0bps
EPS (Rs)	51.2	62.6	53.5	62.5	(4)	0

Source: Company, BOBCAPS Research

Fig 10 – 1 YF P/E Band



Source: Bloomberg

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 are :-
- Delay in approval from the USFDA to the pharmathen beyond H1FY27E

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	275,480	281,626	309,510	342,903	382,041
EBITDA	71,283	59,249	59,556	68,822	84,519
Depreciation	11,070	12,110	13,125	13,965	14,745
EBIT	60,213	47,139	46,432	54,857	69,774
Net interest inc./(exp.)	(620)	(544)	(503)	(495)	(486)
Other inc./(exp.)	8,610	8,820	9,099	12,994	15,186
Exceptional items	0	0	0	0	0
EBT	68,203	55,415	55,027	67,355	84,475
Income taxes	15,298	13,538	13,850	16,953	21,262
Extraordinary items	0	(3,179)	0	0	0
Min. int./Inc. from assoc.	185	(94)	(94)	(94)	(94)
Reported net profit	52,720	38,792	41,271	50,496	63,307
Adjustments	0	(3,179)	0	0	0
Adjusted net profit	52,720	41,971	41,271	50,496	63,307

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	28,375	32,299	38,159	44,155	50,241
Other current liabilities	9,033	15,621	18,571	24,003	30,563
Provisions	18,653	24,167	26,560	29,425	32,784
Debt funds	4,382	6,138	6,445	6,767	7,105
Other liabilities	0	0	0	0	0
Equity capital	1,615	1,615	1,615	1,615	1,615
Reserves & surplus	305,364	336,109	373,249	419,614	478,790
Shareholders' fund	306,979	337,724	374,864	421,229	480,405
Total liab. and equities	367,421	415,949	464,598	525,579	601,098
Cash and cash eq.	7,998	8,751	11,221	12,886	16,032
Accounts receivables	55,064	56,201	63,598	71,399	80,595
Inventories	56,421	65,967	72,926	81,733	92,109
Other current assets	52,884	58,030	58,807	68,581	80,229
Investments	80,440	82,234	106,904	138,976	180,668
Net fixed assets	52,623	60,398	62,273	61,309	59,564
CWIP	15,663	20,422	20,422	20,422	20,422
Intangible assets	46,329	63,946	68,446	70,274	71,479
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	367,421	415,949	464,598	525,579	601,098

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	54,853	51,643	50,968	52,868	63,322
Capital expenditures	(15,480)	(16,000)	(15,000)	(13,000)	(13,000)
Change in investments	(24,812)	(1,794)	(24,670)	(32,071)	(41,693)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(40,292)	(17,794)	(39,670)	(45,071)	(54,693)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(1,212)	1,756	307	322	338
Interest expenses	(620)	(544)	(503)	(495)	(486)
Dividends paid	(10,496)	(12,918)	(4,037)	(4,037)	(4,037)
Other financing cash flows	(2,985)	(21,391)	(4,595)	(1,923)	(1,299)
Cash flow from financing	(15,313)	(33,096)	(8,828)	(6,133)	(5,483)
Chg in cash & cash eq.	(752)	753	2,470	1,664	3,147
Closing cash & cash eq.	7,998	8,751	11,221	12,886	16,032

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	65.4	48.1	51.2	62.7	78.6
Adjusted EPS	65.4	52.1	51.2	62.7	78.6
Dividend per share	13.0	16.0	5.0	5.0	5.0
Book value per share	379.6	417.8	464.0	521.6	595.1

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	4.1	4.1	3.8	3.5	3.2
EV/EBITDA	15.9	19.4	19.5	17.3	14.5
Adjusted P/E	20.3	25.5	25.9	21.2	16.9
P/BV	3.5	3.2	2.9	2.5	2.2

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	77.3	75.7	75.0	75.0	74.9
Interest burden (PBT/EBIT)	113.3	117.6	118.5	122.8	121.1
EBIT margin (EBIT/Revenue)	21.9	16.7	15.0	16.0	18.3
Asset turnover (Rev./Avg TA)	23.7	21.5	21.3	21.2	20.9
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	18.5	13.1	11.6	12.7	14.1

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	6.9	2.2	9.9	10.8	11.4
EBITDA	13.3	(16.9)	0.5	15.6	22.8
Adjusted EPS	22.1	(20.4)	(1.7)	22.4	25.4
Profitability & Return ratios (%)					
EBITDA margin	25.9	21.0	19.2	20.1	22.1
EBIT margin	21.9	16.7	15.0	16.0	18.3
Adjusted profit margin	19.1	14.9	13.3	14.7	16.6
Adjusted ROAE	18.5	13.1	11.6	12.7	14.1
ROCE	23.7	17.1	15.3	16.8	18.6
Working capital days (days)					
Receivables	73	73	75	76	77
Inventory	75	85	86	87	88
Payables	38	42	45	47	48
Ratios (x)					
Gross asset turnover	1.4	1.3	1.4	1.4	1.5
Current ratio	3.1	2.6	2.5	2.4	2.4
Net interest coverage ratio	97.1	86.7	92.3	110.7	143.7
Adjusted debt/equity	(0.3)	(0.2)	(0.3)	(0.3)	(0.4)

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

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 Website: <https://www.bobcaps.in/>
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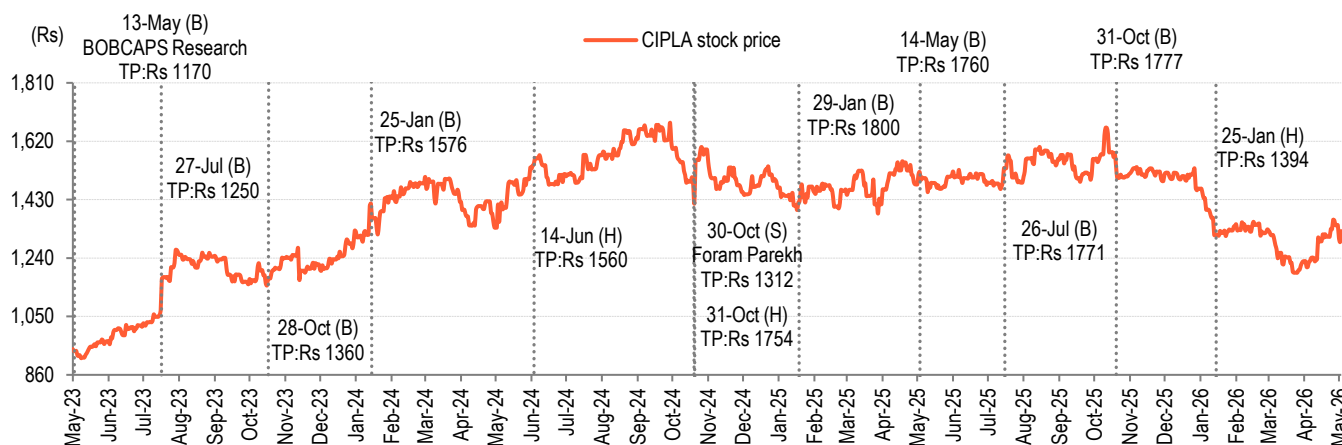
Recommendation scale: Recommendations and Absolute returns (%) over 12 months

- 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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