

Future launches in the US to hold key; India, Africa steady...

About the stock: Cipla is a global pharma company with over 1,500+ products in 65 therapeutic categories, with over 50 dosage forms.

- For Q1FY26, Indian formulations business accounted for ~44% of revenues and major therapies include respiratory, anti-infectives, gastro-intestinal among others
- For Q1FY26, Cipla derived ~28% of the revenues from the US followed by 14% from RoW markets, ~13% from Africa and ~1% from APIs.

Investment Rationale:

- Q1FY26- In line numbers with better margins** - Revenue from operations grew ~3% YoY to ₹ 6837 crore on the back of ~11% growth in Emerging Markets & Europe, 6% growth in India and 11% growth in South Africa. EBITDA grew ~4% YoY to ₹ 1778 crore with EBITDA margins of 25.6%, flat YoY as 156 bps improvement in GPM to 68.8% was pulled down by higher other expenses. PAT grew ~10% to ₹ 1297 crore. US remained subdued (as expected) with a de-growth of 7% YoY to ₹ 1933 crore. Albuterol ranked No.1 in the US Albuterol (respiratory) MDI market, with a 19.5% market share. The market share of Lanreotide (hormonal) stood at ~21% during the quarter. India grew 6% YoY to ₹3070 crore, by outpacing market growth of branded prescription in Respiratory, Urology and Acute therapies. With Trade Generics Business back on track supported good execution in key therapies and new introductions. Emerging Markets & Europe grew 11% to ₹ 861 crore on the back of traction in DTM markets via salesforce effectiveness. South Africa grew 11% YoY to ₹ 695 crore driven by strong performance in Respiratory, CNS and Anti-infectives.
- The revenues were largely in line except India which was impacted by lower respiratory sales. The management is confident of better performance from India in the ensuing quarters. FY26 is likely to be a year of some consolidation with the genericization of gRevlimid and flattish US sales as major launches are expected to pick up momentum in FY27. On the margins front, despite beat in Q1, the management is still maintaining the earlier guidance of (23.5-24.5%). The future remains bright as the company expects critical launches of gAbraxane (anti-cancer) and gAdvair (respiratory) by H2FY26 and also has a strong future pipeline from respiratory and peptides space. India's growth is expected to maintain momentum and so is Africa. We believe the company is in good stead with complex US pipeline and a long-drawn India strategy with a blend of branded Rx- Trade Generics- Consumer Health besides South Africa momentum.

Rating and Target price

- Our target price is ₹ 1800 based on 24x FY27E EPS of ₹ 74.9

Key Financial Summary

Key Financials (₹ crore)	FY22	FY23	FY24	FY25	3 year CAGR (FY22-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Revenues	21763.3	22753.0	25774.1	27547.6	8.2	29686.1	33177.3	9.7
EBITDA	4552.8	5026.9	6291.1	7127.9	16.1	7085.7	8422.7	8.7
EBITDA margins (%)	20.9	22.1	24.4	25.9		23.9	25.4	
Adjusted PAT	2650.2	2929.9	4263.5	5272.5	25.8	4954.0	6032.2	7.0
Adj. EPS (₹)	32.9	36.4	53.0	65.5		61.5	74.9	
PE (x)	49.0	44.0	29.9	23.4		24.9	20.4	
EV to EBITDA (x)	26.3	23.8	18.7	16.2		15.8	12.9	
RoNW (%)	12.7	12.5	16.0	16.9		14.3	15.5	
RoCE (%)	16.7	17.4	21.6	21.5		19.5	20.9	

Source: Company, ICICI Direct Research

Cipla

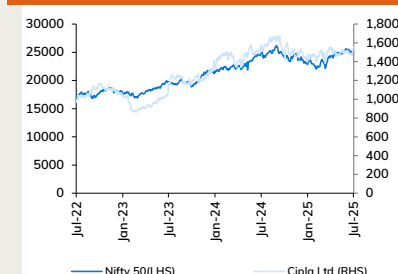
Particulars

Particular	Amount
Market Capitalisation	₹ 123794 crore
Debt (FY25)	₹ 92 crore
Cash (FY25)	₹ 589 crore
EV	₹ 123297 crore
52 week H/L (₹)	1702/1310
Equity capital	₹ 161.4 crore
Face value	₹ 2

Shareholding pattern

(in %)	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	30.9	29.2	29.2	29.2
FII	28.8	26.7	26.3	25.2
DII	24.0	27.5	27.9	29.0
Others	16.3	16.7	16.6	16.6

Price Chart



Key risks

- Slower ramp up in new launches especially in the US
- Issues popping up at the contract manufacturer's end (Lanreotide like cases)

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Exhibit 1: Quarterly Summary

(₹ crore)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)
Net Sales	5317.9	5759.3	5730.0	5666.0	6269.4	6589.2	6505.7	6082.4	6624.9	6961.2	6961.6	6597.7	6837.0	3.2	3.6
Other Operating Income	57.3	69.3	80.0	73.4	59.5	88.9	98.2	80.9	69.1	89.8	111.4	132.0	120.4	74.3	-8.7
Total Operating Income	5375.2	5828.5	5810.0	5739.3	6328.9	6678.2	6603.8	6163.2	6693.9	7051.0	7073.0	6729.7	6957.5	3.9	3.4
Raw Material Expenses	2024.4	2160.2	2004.3	2063.4	2236.8	2313.1	2219.5	2050.1	2192.9	2283.0	2264.1	2189.0	2170.7	-1.0	-0.8
Gross Profit	3350.8	3668.4	3805.7	3675.9	4092.1	4365.1	4384.3	4113.1	4501.1	4768.0	4808.9	4540.7	4786.8	6.3	5.4
Gross Profit Margins	62.3	62.9	65.5	64.0	64.7	65.4	66.4	66.7	67.2	67.6	68.0	67.5	68.8	156 bps	133 bps
Employee Expenses	955.7	960.8	948.7	964.8	1066.6	1091.1	1068.1	1084.2	1194.2	1207.9	1197.6	1233.1	1312.3	9.9	6.4
% of revenues	17.8	16.5	16.3	16.8	16.9	16.3	16.2	17.6	17.8	17.1	16.9	18.3	18.9	102 bps	54 bps
Other Expenditure	1251.7	1405.8	1449.6	1537.4	1531.6	1540.2	1568.6	1713.0	1591.0	1674.5	1622.4	1770.0	1696.3	6.6	-4.2
% of revenues	23.3	24.1	24.9	26.8	24.2	23.1	23.8	27.8	23.8	23.7	22.9	26.3	24.4	61 bps	-192 bps
Total Expenditure	4231.8	4526.8	4402.5	4565.6	4835.0	4944.4	4856.3	4847.4	4978.1	5165.4	5084.1	5192.1	5179.3	4.0	-0.2
EBITDA	1143.4	1301.7	1407.5	1173.7	1493.9	1733.8	1747.5	1315.9	1715.8	1885.6	1988.9	1537.6	1778.1	3.6	15.6
EBITDA (%)	21.3	22.3	24.2	20.5	23.6	26.0	26.5	21.4	25.6	26.7	28.1	22.8	25.6	-7 bps	271 bps
Interest	17.8	25.6	31.8	34.4	16.4	25.8	30.1	17.6	18.0	15.4	14.6	14.0	14.1	-21.7	0.2
Depreciation	254.4	299.4	272.1	346.2	239.2	290.0	233.4	288.3	246.7	271.7	279.8	308.7	252.7	2.4	-18.1
Other Income	103.4	123.0	114.4	134.6	136.3	176.3	184.6	249.3	160.2	190.6	221.6	289.5	258.6	61.4	-10.7
PBT	974.6	1099.8	1218.0	927.8	1374.6	1594.2	1668.6	1259.3	1611.4	1789.1	1916.1	1504.3	1769.9	9.8	17.7
Total Tax	268.0	302.6	410.0	222.3	378.0	438.4	405.3	324.9	435.1	483.0	332.4	279.3	477.9	9.8	71.1
PAT before MI	706.6	797.2	808.0	523.1	996.6	1155.8	1068.5	934.4	1176.3	1306.0	1583.7	1225.0	1292.1	9.8	5.5
Minority Interest	19.7	8.5	6.9	-4.1	2.4	24.5	12.5	-7.2	-2.2	2.5	4.1	-7.7	-6.0	175.7	-21.9
PAT	684.9	785.8	800.9	525.7	995.7	1130.9	1055.9	939.0	1177.6	1302.5	1570.5	1221.8	1297.2	10.2	6.2
EPS (₹)	8.5	9.8	9.9	6.5	12.4	14.0	13.1	11.7	14.6	16.2	19.5	15.2	16.1		

Source: Company, ICICI Direct Research

Q1FY26 Results / Conference call highlights

India Business –

- In branded prescription Cipla has higher concentration of respiratory and anti-infective therapies (~30% higher than broader market) which impacted growth trajectory during the quarter.
- During quarter company launched Voltido Trio Inhaler (triple therapy offerings).
- Cipla has added five new brands to the ₹100 crores club, taking its total to 29.
- Chronic segment contribution is around 61.5% of total revenue.
- Going forward Cipla's focus is on execution to regain the growth momentum and outperform the market in both branded prescription and the trade generics.
- Cipla launched 7 new TGx products during Q1FY26 and the segment is expected to grow at 8-10% in FY26.
- In Consumer Health Nicotex, Omnigel and Cipladine maintained leadership positions.

US Business –

- Cipla achieved the highest ever U.S. generics revenue during quarter despite price erosion in a key product likely gRevlimid.
- Cipla plans to expand its portfolio with two key launches (Launched in Q1FY26 full momentum to be visible in Q2FY26) i.e. Nano Paclitaxel and Nilotinib Capsules (Complex Oncology Generics).
- In Nano Paclitaxel there are total four players in the market two players are selling the same innovative product while Cipla holds ANDA and other one is 505(b)(2) holder.
- Cipla has signed an agreement to launch its first biosimilar in the US by Q2FY26. Moving forward, it plans to acquire a few assets through partnerships in the near term and eventually launch its own biosimilar assets around FY29-30. Cipla also has also committed US\$ 100 million (20-30% already spent and remaining to be spent in next 3 years) to a joint venture for the development of biosimilars.
- Under respiratory side Cipla is now closer to commercialize gAdvair (around H2FY26); preparing for gSymbicort, and a couple of inhalation assets launch in FY27.
- During FY26 Cipla also plans to launch 2-3 peptide assets.
- Lanreotide has now matched last year's average quarterly sales.

- In North America, Cipla will concentrate on enhancing commercial execution, accelerating the new product introductions.
- Cipla aspires for US\$1 billion sales in US in FY 27.
- Company has done double filings for most of its respiratory products.
- In Lanreotide at present it is two player market.
- Company expects USFDA inspection for its Indore Facility.

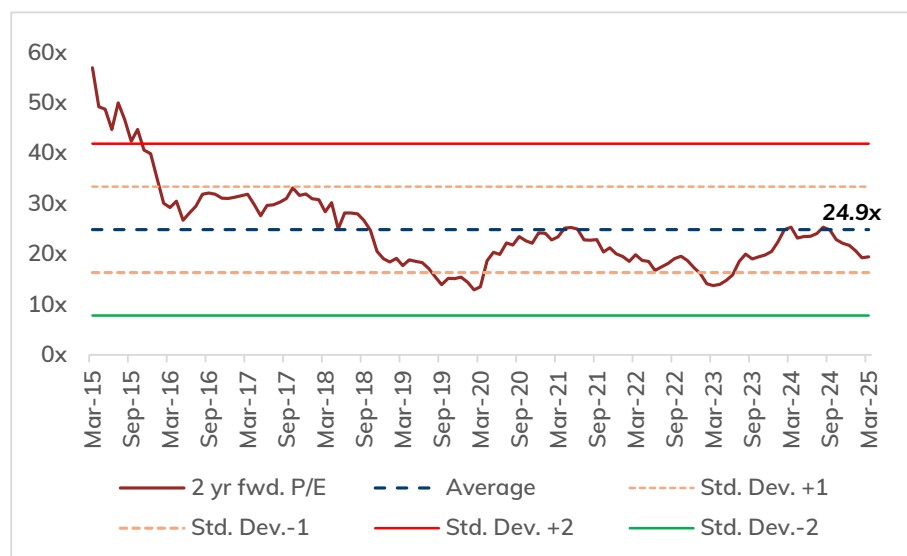
Other Business –

- Growth in Africa business was driven by progress in key therapies, expansion of tender business, and successful new launches.
- In South Africa Cipla's emphasis remains on expanding the margin.
- In EMEU, Cipla's top priority is to drive top-line growth by deepening penetration in core markets while maintaining strong margin.

Other –

- Cipla's China facility is now fully utilized.
- Management has guided FY26 EBITDA margins to be in range of 23.5% to 24.5%.
- Cipla's endeavor is to be among the first wave of launchers both GLP-1 drugs.
- Cipla has adopted a flexible approach to supplying GLP-1 products and has decided to manufacture certain products directly while also partnering with others.
- Cipla would not be in first wave of GLP 1 launch for Canada Market.
- Other operating income includes PLI, exports incentive and scrap sales. PLI was a material contributor for the surge in other operating income in Q1FY26.

Exhibit 2: 2-year forward PE band



Source: Company, ICICI Direct Research

Financial Tables

Exhibit 3: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Revenues	25,774.1	27,547.6	29,686.1	33,177.3
Growth (%)	13.3	6.9	7.8	11.8
Raw Material Expenses	8,819.6	8,929.0	10,049.8	11,361.2
Gross Profit	16,954.5	18,618.6	19,636.3	21,816.1
Employee Expenses	4,310.0	4,832.8	5,024.2	5,470.2
Other Expenditure	6,353.4	6,657.9	7,526.4	7,923.3
Total Operating Expenditure	19,483.0	20,419.7	22,600.4	24,754.6
EBITDA	6,291.1	7,127.9	7,085.7	8,422.7
Growth (%)	25.1	13.3	-0.6	18.9
Depreciation	1,051.0	1,107.0	1,162.4	1,248.0
Interest	89.9	62.0	56.2	-13.4
Other Income	746.6	861.9	980.2	1,099.9
PBT	5,701.9	6,820.8	6,847.3	8,288.0
Total Tax	1,546.6	1,529.8	1,848.8	2,237.8
PAT before MI	4,155.3	5,291.1	4,998.5	6,050.2
Minority Interest	32.2	-3.3	22.7	-3.8
Adjusted PAT	4,263.5	5,272.5	4,954.0	6,032.2
Growth (%)	45.5	23.7	-6.0	21.8
EPS (Adjusted)	53.0	65.5	61.5	74.9
Other income as % of Inv+cash	12%	10%	8%	7%

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit/(Loss) after taxation	4,299.2	5,152.7	4,954.0	6,032.2
Add: Depreciation	1,051.0	1,107.0	1,162.4	1,248.0
(inc)/Dec in Current Assets	-968.8	-1,124.4	-539.6	-1,665.5
inc/(Dec) in Current Liabilities	162.7	458.9	283.1	525.2
Others	-410.3	-589.2	56.2	-13.4
CF from Operating activities	4,133.9	5,005.0	5,916.0	6,126.5
(Purchase)/Sale of Fixed Assets	-1,315.1	-1,514.8	-1,200.0	-1,200.0
Change In Investment	-1,474.0	-2,125.9	-1,000.0	-1,000.0
Others	-198.9	-50.5	-43.5	-73.3
CF from Investing activities	-2,988.0	-3,691.1	-2,243.5	-2,273.3
Change in Equity	0.0	0.1	0.0	0.0
Change in Loan	-377.5	-178.2	-62.0	-50.0
Dividend & Dividend tax	-686.2	-1,049.8	-1,486.2	-1,809.7
Others	-136.8	-64.8	-56.2	13.4
CF from Financing activities	-1,200.4	-1,292.8	-1,604.4	-1,846.3
Net Cash Flow	-54.6	76.4	2,068.1	2,006.9
Cash and Cash equ. at beginning	561.3	512.3	588.7	2,656.8
Cash	506.8	588.7	2,656.8	4,663.7
Free Cash Flow	2,818.8	3,490.2	4,716.0	4,926.5

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Equity Capital	161.5	161.5	161.5	161.5
Reserve and Surplus	26,545.0	31,031.9	34,499.7	38,722.2
Total Shareholders funds	26,706.4	31,193.5	34,661.2	38,883.8
Total Debt	247.0	92.1	30.1	-19.9
Deferred Tax Liability	185.3	53.5	56.2	59.0
Long Term Provision	129.3	148.7	156.1	163.9
MI & Other Liabilities	451.1	495.4	538.1	555.3
Source of Funds	27,719.1	31,983.2	35,441.8	39,642.1
Gross Block - Fixed Assets	15,909.9	17,260.2	18,360.2	19,460.2
Accumulated Depreciation	9,528.4	10,635.3	11,797.7	13,045.7
Net Block	6,381.6	6,624.9	6,562.5	6,414.4
Capital WIP	1,152.7	1,566.3	1,666.3	1,766.3
Fixed Assets	7,534.3	8,191.1	8,228.8	8,180.7
Investments	5,562.8	8,044.0	9,044.0	10,044.0
Goodwill on Consolidation	3,112.0	3,270.3	3,270.3	3,270.3
Long term Loans & Advances	0.0	0.0	0.0	0.1
Other Non current assets	1,923.2	1,925.9	2,022.2	2,123.3
Inventory	5,238.0	5,642.1	6,222.6	7,034.6
Debtors	4,770.7	5,506.4	5,265.1	5,908.3
Loans and Advances	0.2	15.6	16.4	17.2
Other Current Assets	3,701.6	3,991.8	4,191.4	4,400.9
Cash	640.1	588.7	2,656.8	4,663.7
Bank Balance other than cash	234.9	211.2	211.2	211.2
Total Current Assets	14,350.5	15,744.6	18,352.3	22,024.7
Creditors	2,474.0	2,837.5	2,992.2	3,382.7
Provisions	1,611.8	1,716.6	1,802.4	1,892.6
Other current liabilities	913.0	849.7	892.2	936.8
Total Current Liabilities	4,998.8	5,403.8	5,686.9	6,212.1
Net Current Assets	9,351.8	10,340.8	12,665.4	15,812.6
Application of Funds	27,719.1	31,983.2	35,441.8	39,642.1

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
Adjusted EPS	53.0	65.5	61.5	74.9
BV per share	331.7	387.4	430.5	483.0
Cash per Share	8.0	7.3	33.0	57.9
Dividend per share	13.0	16.4	18.5	22.5
Operating Ratios (%)				
Gross Margins	65.8	67.6	66.1	65.8
EBITDA margins	24.4	25.9	23.9	25.4
PAT Margins	16.5	19.1	16.7	18.2
Inventory days	217	231	226	226
Debtor days	68	73	65	65
Creditor days	102	116	109	109
Asset Turnover	1.0	0.9	0.9	1.0
EBITDA convsn rate	65.7	70.2	83.5	72.7
Return Ratios (%)				
RoE	16.0	16.9	14.3	15.5
RoCE	19.9	19.6	18.5	21.0
RoIC	26.6	28.3	30.5	38.8
Valuation Ratios (x)				
P/E	30.0	23.4	24.9	20.5
EV / EBITDA	18.8	16.2	15.8	13.0
EV / Net Sales	4.6	4.2	3.8	3.3
Market Cap / Sales	4.8	4.5	4.1	3.7
Price to Book Value	4.6	4.0	3.6	3.2
Solvency Ratios				
Debt / EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	2.7	2.8	2.8	2.8

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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