

26 July 2025

India | Equity Research | Results Update

## Cipla

Pharma

## US business on a strong footing

Cipla reported an in-line Q1FY26 result led by growth across the US and South Africa. Despite price erosion in gRevlimid, it posted a 156bps YoY (+133bps QoQ) surge in gross margin to 68.8%. US sales at USD 226mn were better than anticipated led by higher volumes for gRevlimid and launch of Abraxane and Nilotinib in Q1. India biz growth was slow at 6% YoY due to overall slowdown in acute (~58% of Cipla India biz) market. As gRevlimid sales start tapering in the next few months, key respiratory assets like gAbraxane, gAdvair (H2FY26 launch), peptides (FY26) and gSymbicort (FY27) could offset the impact and help Cipla's US sales touch the USD 1bn mark in FY27. Management maintains EBITDA margin guidance of 23.5-24.5% for FY26. Retain **BUY** with an unchanged TP of INR 1,800 based on 26x FY27E EPS.

## In-line quarter, surge in gross margin is a positive surprise

Cipla's Q1 sales grew 3.9% YoY (3.4% QoQ) to INR 69.6bn (I-Sec: INR 68.5bn) led by better performance in the US and South Africa. Gross margin expanded 156bps YoY (133bps QoQ) to 68.8%. R&D spending rose 22.4% YoY (1.4% QoQ) to INR 4.3bn (6.2% of sales vs. 6.3% in Q4FY25 and 5.3% in Q1FY25). EBITDA rose 3.6% YoY (15.6% QoQ) to INR 17.8bn (I-Sec: INR 17.7bn). EBITDA margin was flat (+271bps QoQ) at 25.6% (I-Sec: 25.8%). Adjusted PAT grew 10.2% YoY (6.2% QoQ) to INR 13.0bn (I-Sec: INR 12.5bn).

## US launches picking up pace

US sales at USD 226mn declined 9.6% YoY (+2.3% QoQ) (I-Sec: USD 221mn). The dip may be due to lower revenue of gRevlimid, while sales of Lanreotide were flat YoY. Cipla launched gAbraxane and Nilotinib in Q1FY26 which could support growth in the near term. Launch of gAdvair, gSymbicort and better market share for Lanreotide may aid growth in FY27. We expect 6.3% CAGR in Cipla's US business to USD 1.06bn over FY25-27E. Domestic sales grew 5.9% YoY (17.1% QoQ) to INR 30.7bn due to slowdown in branded market, while momentum in trade generics and consumer biz was strong. Branded biz in India is expected to grow in line with market growth rate of 8-10%. We factor in 9.2% CAGR in India revenue over FY25-27E. One Africa region grew 25.3% YoY to INR 8.7bn led by an uptick across key therapies, tender business and new launches. Emerging markets and Europe grew 1.4% YoY to INR 8.6bn while API sales grew 4.1% YoY to INR 1.0bn.

## Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	2,57,741	2,75,476	2,94,483	3,28,494
EBITDA	62,911	71,279	72,444	77,654
EBITDA Margin (%)	24.4	25.9	24.6	23.6
Net Profit	42,635	50,667	52,097	55,700
EPS (INR)	52.8	62.7	64.5	69.0
EPS % Chg YoY	45.5	18.8	2.8	6.9
P/E (x)	30.0	23.5	23.8	22.2
EV/EBITDA (x)	18.7	16.1	15.5	14.2
RoCE (%)	17.2	18.6	16.2	15.4
RoE (%)	16.0	16.2	14.9	14.3

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## Market Data

Market Cap (INR)	1,238bn
Market Cap (USD)	14,305mn
Bloomberg Code	CIPLA IN
Reuters Code	CIPL.BO
52-week Range (INR)	1,699 / 1,307
Free Float (%)	70.0
ADTV-3M (mn) (USD)	28.7

Price Performance (%)	3m	6m	12m
Absolute	0.6	8.8	2.4
Relative to Sensex	(2.2)	1.9	0.6

ESG Score	2023	2024	Change
ESG score	72.1	71.1	(1.0)
Environment	66.1	63.9	(2.2)
Social	56.3	56.3	0.0
Governance	85.7	84.3	(1.4)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	0.6	0.1
EBITDA	(0.1)	0.2
EPS	1.1	1.3

## Previous Reports

14-06-2025: [Company Update](#)

14-05-2025: [Q4FY25 results review](#)

## Valuation and risks

Cipla's Q1FY26 result was largely in line with our expectation though management commentary across key launches lined up for US was positive. Despite the pricing pressure in gRevlimid, the company was able to surpass its US revenue guidance of USD 220mn for Q1FY26. With the launch of Abraxane and Nilotinib already in place, we expect a significant uptick in Cipla's US sales in near term, even though uncertainty over gRevlimid prevails. Launch of gAdvair, gSymbicort and gQvar is on track, and market share improvement (currently 21% vs peak market share of 35%) in lanreotide would push the US revenue to touch the management's guidance of USD 1bn mark in FY27. India biz growth at 6% was weaker than anticipated due to slowdown in acute therapies (up 4-5%) and management is confident of growing this biz in line with market growth rate for the next 2-3 quarters. Cipla is gearing up to launch GLP-1 products in India and other international markets. The company is working on a portfolio of products instead of only targeting semaglutide which is about to lose patent protection in certain countries. Cipla had net cash balance of INR 104bn (~8.4% of mcap) at the end of Q1FY26, which the company intends to deploy to fill the gaps in its India portfolio through M&A, improve manufacturing footprint and acquire differentiated assets in US and RoW markets.

We increase our earnings by ~1% each for FY26/27E to factor in higher other income. We expect Cipla to deliver a revenue CAGR of 9.2% and EBITDA/PAT CAGR of 4.4%/4.8% (ex-revlimid CAGR of 9%/11%) over FY25-27E. The stock currently trades at valuations of 23.8x FY26E and 22.2x FY27E earnings and EV/EBITDA multiples of 15.5x FY26E and 14.2x FY27E. We maintain **BUY** with an unchanged target price of INR 1,800, valuing the company at 26x (unchanged) FY27E EPS. **Key risks:** Incremental competition in niche products, delay in regulatory clearance of Pithampur plant.

## Q1FY26 conference call highlights

### India

- Share of respiratory and anti-infective drugs is higher in India revenue. Market growth for these therapies stood at 5% in Q1FY26, which also impacted Cipla's overall growth.
- Growth in respiratory therapy has been impacted due to price cuts in some inhalers by the Indian government.
- Acute therapies account for ~58-59% of India revenue and grew at 4-5%.
- Cipla launched a new division for triple dose combination products in India. Three new triple combination products are likely to be launched in the near term.
- Trade generics biz grew at a strong pace. It launched seven new products in Q1FY26.
- Consumer biz sales stood at INR 4.7bn. The company is looking to expand its distribution network to boost growth in consumer portfolio.
- GLP-1 products may be a significant growth driver for the company in FY27.
- Management aspires to grow in line with market growth rate in FY26. Trade generics segment is expected to grow at 8-10% in FY26.

### US

- US biz grew despite erosion in a key product.
- Sales of gRevlimid were flat QoQ; sales of gRevlimid could decline in quarters ahead.

- It launched gAbraxane (2-3 companies competing) and Nilotinib (NDA) in the US in Q1.
- Management believes demand for Abraxane vials largely exceeds Cipla's current supplies from all the companies.
- Market share in Albuterol MDI/Lanreotide stood at 19.5%/ 21%, respectively.
- Sales of Lanreotide (two-player market) were flat YoY; Cipla's peak market share in this product stood at 35% (currently at 21%) and it may look to gain its lost market share in quarters ahead.
- Cipla has entered into a strategic agreement to launch filgrastim in the US in Q2FY26.
- USFDA has completed the inspection at the US plant for Advair approval. Management aims to launch this product in H2FY26 in the US.
- US revenue is equally split (33%) across its facility in US, India and from CDMOs.
- US sales may touch USD 1bn by FY27. Impact of lower revenue of gRevlimid will be mitigated through new launches.
- Management is committed to launch 2-3 peptide products in FY26.
- Inspection of Indore plant may happen before Feb'26.
- For the next couple of years, the company may look to in-license biosimilars. Cipla has also committed USD 100mn to a joint venture for the development of biosimilars. In the long term, it intends to launch its own biosimilars assets; however, those products are likely to commercialise from FY29-30.

### One Africa

- South Africa biz grew at 6% in constant currency.
- Consumer biz sales stood at ZAR 358mn.
- Focus in South Africa is towards margin improvement.
- EM and EU focus ahead is towards boosting growth and maintaining the current margin profile.

### GLP-1

- GLP-1 is an important category for the company. It aims to be in the first wave in for most of these drugs.
- Cipla has a hybrid supply strategy for GLP-1 products as in some products/markets it may launch its own product and in some through partners.
- Cipla may not be in the first wave of generic launch in Canada.

### Guidance

- Management has maintained its margin guidance of 23.5-24.5% for FY26.
- Other expense run-rate is likely to be maintained for next couple of quarters. Remediation cost is likely to come down post the inspection at Indore facility.

### Q1FY26 financials

- Surpassed internal EBITDA target for Q1FY26.
- The company has optimised overheads in the quarter though R&D expense (6.2% of sales) was higher.
- Other operating income includes PLI, exports incentive and scrap sales. PLI was a material contributor for the surge in other operating income in Q1FY26.
- Cash balance at the end of Jun'25 stood at INR 103.7bn.

**Exhibit 1: Q1FY26 result review**

Y/E Mar (INR mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	FY25	FY24	YoY (%)
Net Sales	69,575	66,939	3.9	67,297	3.4	2,75,476	2,57,741	6.9
Gross Profit	47,868	45,011	6.3	45,407	5.4	1,86,186	1,69,545	9.8
Gross Margins (%)	68.8	67.2	155.9	67.5	132.8	67.6	65.8	180.6
EBITDA	17,781	17,158	3.6	15,376	15.6	71,279	62,911	13.3
EBITDA Margins (%)	25.6	25.6	(7.5)	22.8	270.9	25.9	24.4	146.6
Other Income	2,586	1,602	61.4	2,895	(10.7)	8,619	7,466	15.4
Interest	141	180	(21.7)	140	0.2	620	899	(31.0)
Depreciation	2,527	2,467	2.4	3,087	(18.1)	11,070	10,510	5.3
PBT	17,699	16,114	9.8	15,043	17.7	68,208	58,967	15.7
Tax	4,779	4,351	9.8	2,793	71.1	15,298	15,466	(1.1)
Tax Rate (%)	27.0	27.0	(0.0)	18.6	843.4	22.4	26.2	(380.0)
PAT	12,921	11,763	9.8	12,250	5.5	52,910	43,501	21.6
Minority Interest	56	14	312.6	(32)	(275.2)	(185)	(338)	(45.1)
Extraordinaries (net)	-	-				-		
Reported PAT	12,976	11,776	10.2	12,218	6.2	52,725	41,216	27.9
Adjusted Net Income	12,976	11,776	10.2	12,218	6.2	50,667	42,635	18.8
NPM (%)	18.7	17.6	105.8	18.2	49.5	18.4	16.5	185.0

Source: I-Sec research, Company data

**Exhibit 2: Segmental breakup**

INR mn	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	% YoY	% QoQ
Domestic business	25,630	22,590	27,720	28,170	28,590	24,170	28,980	29,480	31,460	26,220	30,700	5.9	17.1
Exports	30,420	32,930	33,490	34,260	34,770	34,640	36,310	38,600	37,050	38,330	36,650	0.9	(4.4)
North America	16,000	16,770	18,220	18,870	19,160	18,750	20,870	19,860	19,060	19,190	19,330	(7.4)	0.7
SAGA	6,800	8,320	7,480	8,620	8,830	8,470	6,950	10,680	9,750	10,190	8,710	25.3	(14.5)
International markets	7,620	7,840	7,790	6,770	6,780	7,420	8,490	8,060	8,240	8,950	8,610	1.4	(3.8)
API	1,470	1,330	1,360	1,470	1,080	1,890	980	1,600	1,260	1,820	1,020	4.1	(44.0)
Others	580	530	710	1,000	990	940	650	820	960	920	1,210	86.2	31.5
<b>Total</b>	<b>58,100</b>	<b>57,380</b>	<b>63,280</b>	<b>64,900</b>	<b>65,430</b>	<b>61,640</b>	<b>66,920</b>	<b>70,500</b>	<b>70,730</b>	<b>67,290</b>	<b>69,580</b>	<b>4.0</b>	<b>3.4</b>

Source: I-Sec research, Company data

**Exhibit 3: Performance of key brands in India**

Brands (INR mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	MAT Jun'25	MAT Jun'24	YoY (%)
Foracort	2,287	2,089	9.5	2,419	-5.4	924	882	4.8
Duolin	1,269	1,164	9.0	1,732	-26.7	588	517	13.7
Budecort	929	930	-0.1	1,354	-31.4	487	480	1.6
Dytor	1,020	810	25.9	909	12.1	357	285	25.0
Seroflo	676	754	-10.3	746	-9.4	300	306	-2.0
Montair-Lc	716	622	15.2	873	-17.9	318	290	9.8
Asthalin	663	635	4.5	789	-15.9	294	291	1.0
Ibugesic Plus	688	611	12.6	706	-2.6	284	238	19.2
Azee	476	434	9.7	607	-21.6	231	231	0.1
Aerocort	591	551	7.3	586	0.9	226	223	1.6

Source: IQVIA

**Exhibit 4: Therapy-wise breakdown of India branded business**

SUPERGROUP (INR mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	MAT Jun'25	MAT Jun'24	YoY (%)
Respiratory	10,573	9,864	7.2	12,794	-17.4	4,723	4,464	5.8
Anti-Infectives	4,111	3,812	7.8	4,407	-6.7	1,787	1,660	7.6
Cardiac	4,084	3,663	11.5	3,915	4.3	1,545	1,373	12.5
Anti Diabetic	1,886	1,746	8.0	1,821	3.5	719	661	8.8
Gastro Intestinal	1,872	1,868	0.2	1,680	11.4	703	651	7.9
Urology	1,773	1,528	16.0	1,699	4.3	676	568	18.9
Neuro / CNS	1,403	1,396	0.5	1,398	0.3	569	580	-1.9
Pain / Analgesics	1,386	1,184	17.1	1,385	0.1	567	450	25.9
Derma	1,159	975	18.9	1,139	1.7	464	386	20.5
Antiviral	857	772	10.9	909	-5.8	356	333	6.7

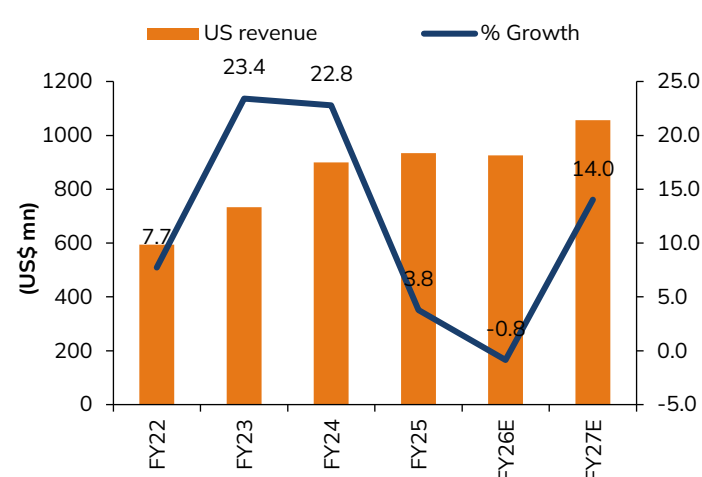
Source: IQVIA

**Exhibit 5: Better Revlimid sales and new launches drove US sales to USD 226mn**



Source: I-Sec research, Company data

**Exhibit 6: New product launches to drive growth in US**



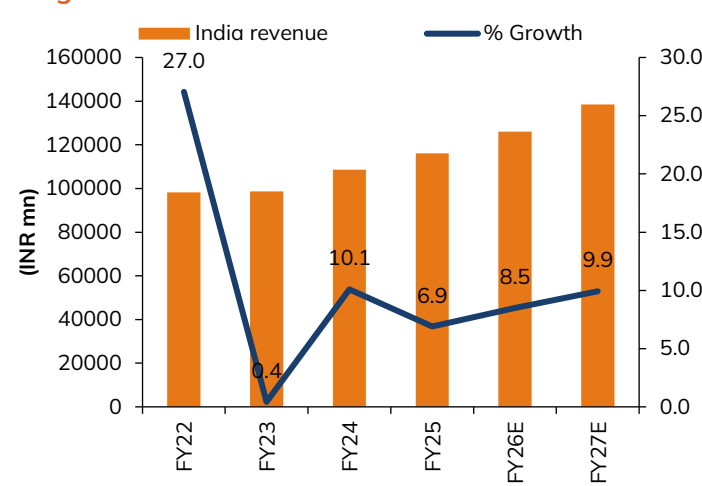
Source: I-Sec research, Company data

**Exhibit 7: Overall slowdown in acute market impacted India growth**



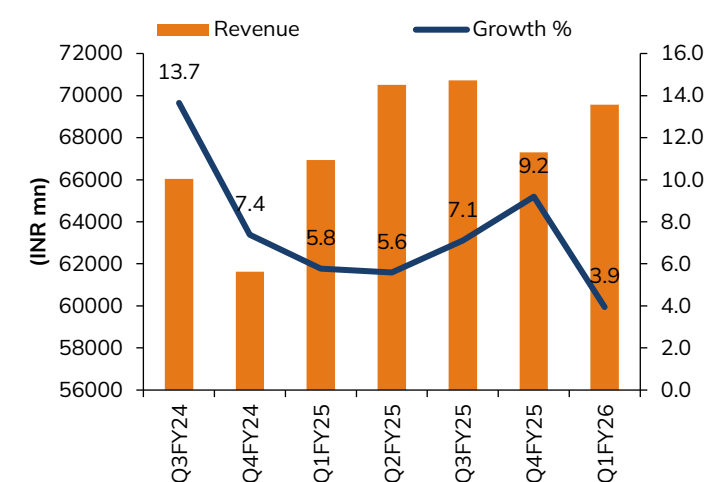
Source: I-Sec research, Company data

**Exhibit 8: India revenue to be driven by volume and price-led growth**



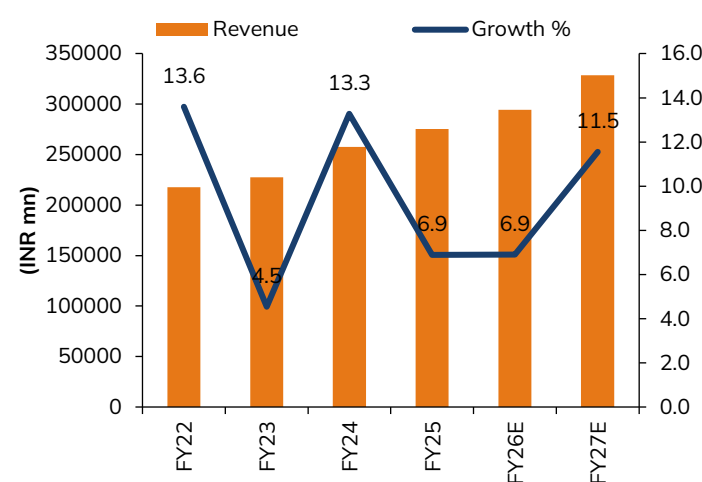
Source: I-Sec research, Company data

**Exhibit 9: Growth supported by better performance in US and Africa**



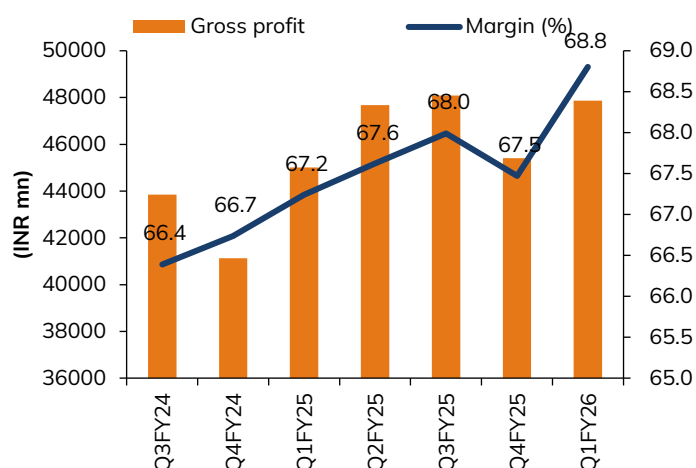
Source: I-Sec research, Company data

**Exhibit 10: Revenue to grow at 9.2% CAGR over FY25-27E**

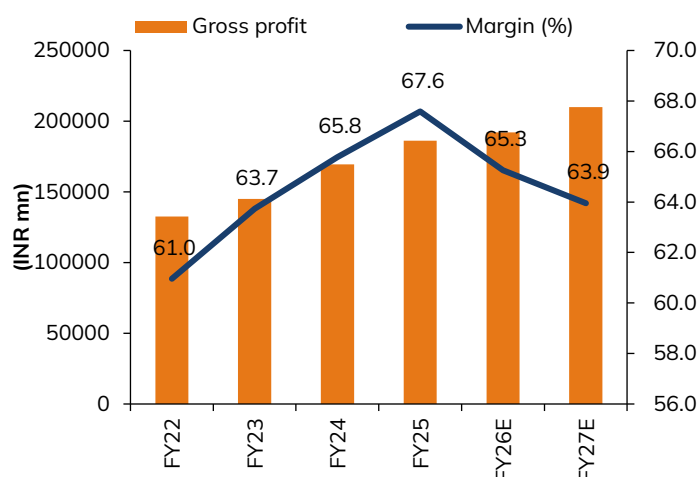


Source: I-Sec research, Company data

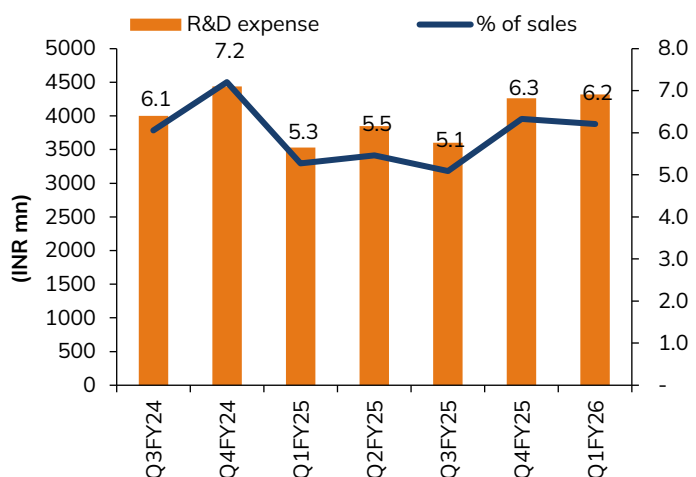


**Exhibit 11: Better product mix aids gross profit margin**

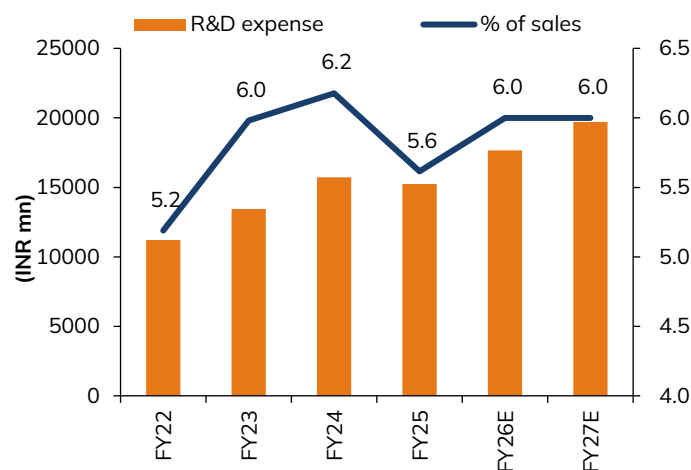
Source: I-Sec research, Company data

**Exhibit 12: Loss of gRevlimid exclusivity may take a toll on gross margin**

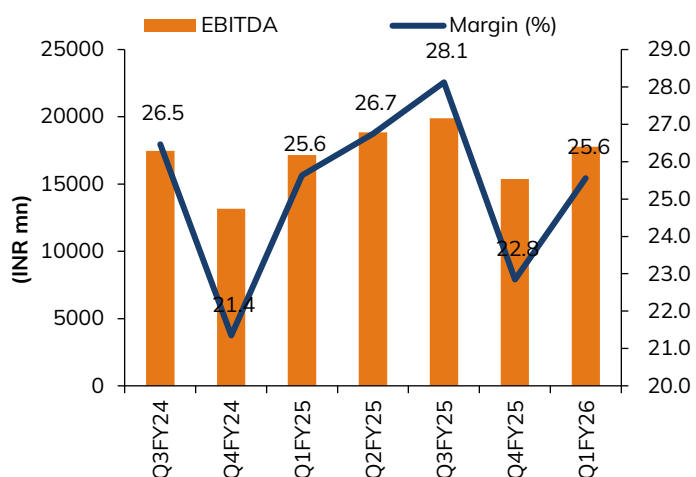
Source: I-Sec research, Company data

**Exhibit 13: R&D expense in Q1 was at 6.2% of sales**

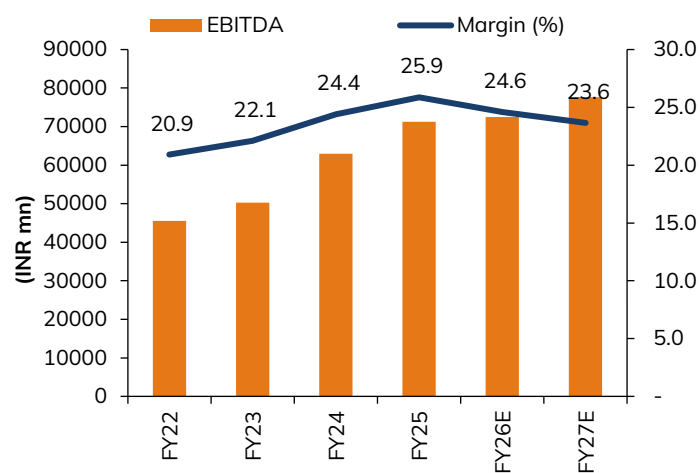
Source: I-Sec research, Company data

**Exhibit 14: R&D could inch up to 6-6.5% of revenue**

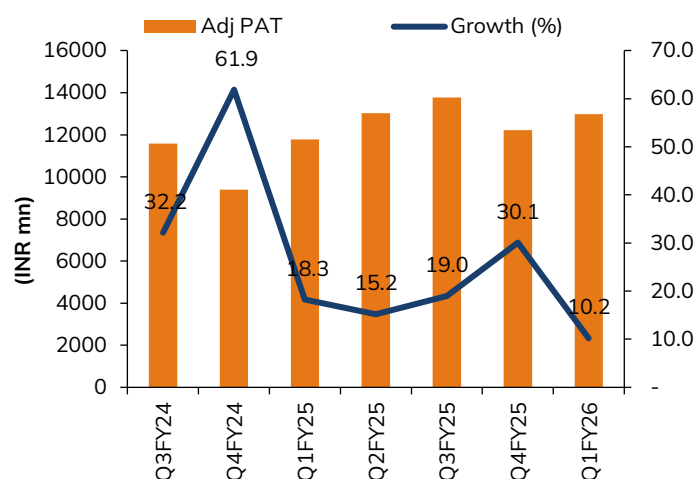
Source: I-Sec research, Company data

**Exhibit 15: EBITDA margin was flat YoY in Q1FY26**

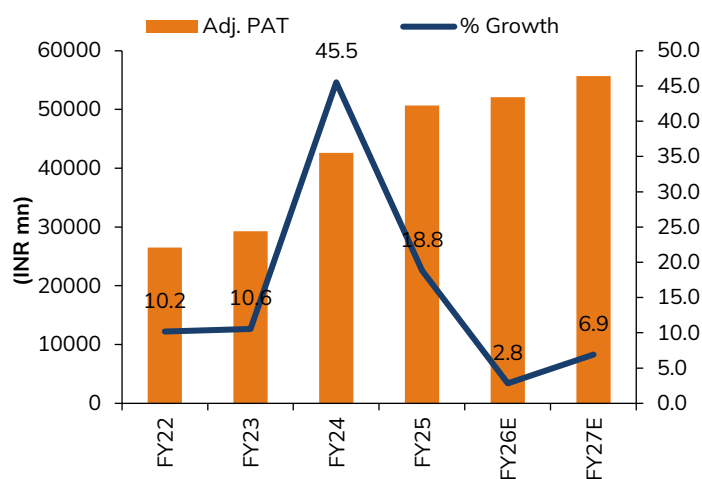
Source: I-Sec research, Company data

**Exhibit 16: EBITDA margin may have peaked in FY25**

Source: I-Sec research, Company data

**Exhibit 17: Adj. PAT grew ~10.2% YoY**

Source: I-Sec research, Company data

**Exhibit 18: Adj. PAT to grow at CAGR of 4.8% over FY25-27E**

Source: I-Sec research, Company data

**Exhibit 19: Shareholding pattern**

%	Dec'24	Mar'24	Jun'24
Promoters	29.2	29.2	29.2
Institutional investors	52.6	53.0	52.8
MFs and others	20.5	20.5	20.4
Insurance Cos	5.5	6.2	7.1
FIIIs	26.7	26.3	25.2
Others	18.2	17.8	18.0

Source: Bloomberg, I-Sec research

**Exhibit 20: Price chart**

Source: Bloomberg, I-Sec research

## Financial Summary

### Exhibit 21: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
<b>Net Sales</b>	<b>2,57,741</b>	<b>2,75,476</b>	<b>2,94,483</b>	<b>3,28,494</b>
Operating Expenses	1,06,635	1,14,907	1,19,741	1,32,410
<b>EBITDA</b>	<b>62,911</b>	<b>71,279</b>	<b>72,444</b>	<b>77,654</b>
EBITDA Margin (%)	24.4	25.9	24.6	23.6
Depreciation & Amortization	10,510	11,070	11,129	11,952
EBIT	52,400	60,210	61,316	65,702
Interest expenditure	899	620	620	620
Other Non-operating Income	7,466	8,619	9,201	9,631
<b>Recurring PBT</b>	<b>57,019</b>	<b>68,208</b>	<b>69,896</b>	<b>74,713</b>
<b>Profit / (Loss) from Associates</b>	<b>(16)</b>	<b>(219)</b>	<b>(219)</b>	<b>(219)</b>
Less: Taxes	15,466	15,298	17,614	18,828
PAT	41,553	52,911	52,282	55,886
Less: Minority Interest	(322)	33	33	33
Extraordinaries (Net)	(1,420)	2,059	-	-
<b>Net Income (Reported)</b>	<b>41,216</b>	<b>52,725</b>	<b>52,097</b>	<b>55,700</b>
<b>Net Income (Adjusted)</b>	<b>42,635</b>	<b>50,667</b>	<b>52,097</b>	<b>55,700</b>

Source Company data, I-Sec research

### Exhibit 22: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	1,46,344	1,59,953	2,03,685	2,47,602
of which cash & cash eqv.	8,750	7,998	32,481	54,495
Total Current Liabilities & Provisions	49,988	54,038	57,932	62,320
<b>Net Current Assets</b>	<b>96,357</b>	<b>1,05,915</b>	<b>1,45,754</b>	<b>1,85,282</b>
Investments	55,798	80,766	80,766	80,766
Net Fixed Assets	50,690	52,623	49,532	50,446
ROU Assets	-	-	-	-
Capital Work-in-Progress	11,527	15,663	15,663	15,663
Total Intangible Assets	44,246	46,329	45,804	44,938
Other assets	2,973	4,376	4,376	4,376
Deferred Tax Assets	5,878	6,449	6,449	6,449
<b>Total Assets</b>	<b>2,77,191</b>	<b>3,19,832</b>	<b>3,56,711</b>	<b>3,97,252</b>
<b>Liabilities</b>				
<b>Borrowings</b>	<b>2,470</b>	<b>921</b>	<b>921</b>	<b>921</b>
<b>Deferred Tax Liability</b>	<b>1,853</b>	<b>535</b>	<b>535</b>	<b>535</b>
provisions	1,293	1,487	1,613	1,799
other Liabilities	3,552	3,996	3,996	3,996
Equity Share Capital	1,615	1,615	1,615	1,615
Reserves & Surplus	2,65,450	3,10,319	3,47,072	3,87,427
<b>Total Net Worth</b>	<b>2,67,064</b>	<b>3,11,935</b>	<b>3,48,687</b>	<b>3,89,043</b>
Minority Interest	959	958	958	958
<b>Total Liabilities</b>	<b>2,77,191</b>	<b>3,19,832</b>	<b>3,56,711</b>	<b>3,97,252</b>

Source Company data, I-Sec research

### Exhibit 23: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
<b>Operating Cashflow</b>	<b>50,590</b>	<b>61,243</b>	<b>56,637</b>	<b>59,769</b>
Working Capital Changes	10,859	9,065	15,885	18,294
Capital Commitments	15,034	19,220	7,514	12,000
<b>Free Cashflow</b>	<b>35,556</b>	<b>42,023</b>	<b>49,124</b>	<b>47,769</b>
<b>Other investing cashflow</b>	<b>17,172</b>	<b>24,862</b>	-	-
Cashflow from Investing Activities	(32,206)	(44,083)	(7,514)	(12,000)
Issue of Share Capital	0	1	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	(2,733)	(1,549)	-	-
Dividend paid	(6,865)	(10,499)	(12,114)	(15,345)
Others	(15,683)	(5,864)	(12,527)	(10,410)
Cash flow from Financing Activities	(25,281)	(17,912)	(24,641)	(25,755)
<b>Chg. in Cash &amp; Bank balance</b>	<b>(6,897)</b>	<b>(751)</b>	<b>24,483</b>	<b>22,014</b>
Closing cash & balance	8,750	7,998	32,481	54,495

Source Company data, I-Sec research

### Exhibit 24: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
<b>Per Share Data (INR)</b>				
Reported EPS	51.0	65.3	64.5	69.0
Adjusted EPS (Diluted)	52.8	62.7	64.5	69.0
Cash EPS	65.8	76.4	78.3	83.8
Dividend per share (DPS)	13.0	15.0	19.0	19.0
Book Value per share (BV)	331.5	387.2	432.8	482.9
Dividend Payout (%)	25.5	23.0	29.5	27.5
<b>Growth (%)</b>				
Net Sales	13.3	6.9	6.9	11.5
EBITDA	25.1	13.3	1.6	7.2
EPS (INR)	47.1	27.9	(1.2)	6.9
<b>Valuation Ratios (x)</b>				
P/E	30.0	23.5	23.8	22.2
P/CEPS	23.3	20.0	19.6	18.3
P/BV	4.6	4.0	3.5	3.2
EV / EBITDA	18.7	16.1	15.5	14.2
P / Sales	4.8	4.5	4.2	3.8
Dividend Yield (%)	0.0	0.0	0.0	0.0
<b>Operating Ratios</b>				
Gross Profit Margins (%)	65.8	67.6	65.3	63.9
EBITDA Margins (%)	24.4	25.9	24.6	23.6
Effective Tax Rate (%)	27.1	22.4	25.2	25.2
Net Profit Margins (%)	16.5	18.4	17.7	17.0
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	(0.2)	(0.3)	(0.3)	(0.3)
Net Debt / EBITDA (x)	(1.0)	(1.2)	(1.6)	(1.7)
<b>Profitability Ratios</b>				
RoCE (%)	17.2	18.6	16.2	15.4
RoE (%)	16.0	16.2	14.9	14.3
RoIC (%)	24.6	26.0	25.1	25.0
Fixed Asset Turnover (x)	5.1	5.4	5.8	6.5
Inventory Turnover Days	82	81	90	95
Receivables Days	74	79	78	80
Payables Days	39	41	42	43

Source Company data, I-Sec research



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