

3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗
+ Positive = Neutral - Negative			

What has changed in 3R MATRIX

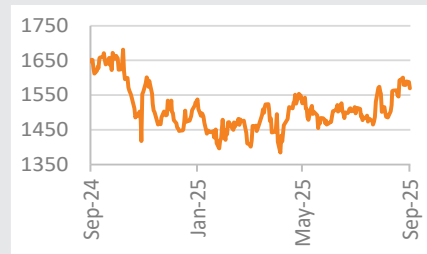
	Old		New
RS	✓	↔	✓
RQ	✓	↔	✓
RV	✓	↔	✓

Company details

Market cap:	Rs. 1,26,823 cr
52-week high/low:	Rs. 1,702/1,310
NSE volume: (No of shares)	15.7 lakh
BSE code:	500087
NSE code:	CIPLA
Free float: (No of shares)	57.2 cr

Shareholding (%)

Promoters	29.2
FII	25.2
DII	29.0
Others	16.6

Price chart


Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	4.4	3.5	8.8	-4.7
Relative to Sensex	6.1	1.5	4.2	-1.8

Source: Mirae Asset Sharekhan Research, Bloomberg

Cipla Ltd
India, RoW biz to stay steady, US drug pipeline - the next trigger

Pharmaceuticals	Sharekhan code: CIPLA		
Reco/View: Buy	↔	CMP: Rs. 1,569 (as on Sept 02, 2025)	Price Target: Rs. 1,754 ↑

Summary

- Cipla has robust domestic and global product pipelines.
- US product pipeline to be healthy and will be key to driving growth from H2FY26E and contribute significantly from FY27E onwards.
- Strong presence in key therapies, large trade generics portfolio and a growing consumer health portfolio provide visibility for FY27 and beyond domestically.
- With the current valuation overhang on the sector, the stock trades at close to its four-year average 1 year forward P/E of 24x and with the triggers eyed from H2FY26, we maintain a Buy, valuing the stock at 26x on FY27E EPS of Rs. 67.5 and arrive at a price target of Rs. 1,754.

US - Key launches starting Q2FY26: Key drugs like Lanreotide and Albuterol with significant market shares of 21% and ~19% will soften the price erosion effect from the existing drug portfolio in the US in FY26. Additionally, the company launched Nano Paclitaxel and Nilotinib Capsules in Q1FY26 and expects revenue to significantly trickle in from Q2FY26 onwards. Moreover, the company is planning to launch its first biosimilar in the US in the current quarter and extend its biosimilar portfolio through partnerships. For our universe in general, in the US market, we believe foray into complex drugs and biosimilars provide space for less intense competition and margin improvements/ margin sustenance for larger players in the long term.

India biz to pick up from H2FY26: Recently, the company has seen a 20% jump in brands added to the Rs. 100 crore club, taking the total of such brands 29. H1 is generally sluggish for the India business and seasonality picks up in H2. Cipla underperformed the Indian pharmaceutical market (IPM) particularly in the respiratory and cardiac segments in Q1FY26. It recently launched 7 new products in the TGx segment and expects to grow faster than the market (at 8%-10%) for the same in FY26.

Q1FY26 earnings: The company recorded the highest revenue from the generics segment in the US. However, overall revenue growth stood at 3% in Q1FY26 on account of price erosion in US causing a decline of 7% y-o-y in revenues to Rs 1,933 crore. India grew 6% y-o-y to Rs. 3,070 crores on the back of good performance in the branded prescriptions and improved execution in the trade generics space. Emerging markets and Europe grew 11% y-o-y to Rs. 695 crore. Despite EBITDA margins of 25.6% in Q1, management maintains guidance of ~24.5% in EBITDA margins for the full year. PAT came in Rs. 1,297 crore, a growth of 10% y-o-y.

Management Commentary

- In US, the company plans to launch 2-3 peptide assets.
- While the major chunk of pipeline of biosimilars is in partnership phase, the company plans to increase its biosimilar portfolio significantly by FY29-30E.
- The company has earmarked \$100 million to be spent over the next 3 years in the biosimilars space.
- Chronic segment contributes around 65% in the domestic portfolio.
- In trade generics, cost optimization efforts are complete, and we expect margins to improve for this segment.

Our Call

Valuation - Maintain Buy with PT of Rs. 1,754- On the back of strong presence in domestic and international market with over 1500 + products in 65 therapeutic categories, we believe despite the valuation headwinds for the sector, Cipla is a safe bet in the long term. We expect the new launches to have less competition in the near to medium term and value the stock at 26x, slightly above the 4 year average 1-year fwd P/E of 24x on FY27E EPS of Rs. 67.5 and arrive at a target price of Rs. 1,754.

Key Risks

- Slower than expected launch of products in the US.
- Currency Risk
- Lack of resolution on tariff issues in the US.

Valuation (Consolidated)

	Rs cr				
Particulars	FY23	FY24	FY25	FY26E	FY27E
Net Sales	22,753	25,774	27,547	29,566	32,336
EBITDA Margin (%)	22.1	24.4	25.9	24.2	24.5
Adjusted PAT	2,802	4,122	5,257	4,909	5,454
y-o-y Growth (%)	11	47	28	-7	11
Adjusted EPS (Rs.)	34.6	509	65.0	60.7	67.4
P/E (x)	24.4	28.0	22.2	26.0	23.4
EV/EBITDA (x)	14.3	19.2	16.3	17.8	16.0
RoCE (%)	15.7	19.2	19.0	16.6	16.4
RoE (%)	12.6	16.1	16.8	13.8	13.6

Source: Company; Mirae Asset Sharekhan estimates

Outlook and Valuation

■ Sector Outlook – Input cost easing with companies focusing on complex product launches

Over the years, Indian pharmaceutical companies have established themselves as a dependable source for global pharma companies. The confluence of other factors, including a focus on specialty/complex products in addition to emerging opportunities in the API space, would be key growth drivers over the long term. The sector is witnessing the easing of input costs like raw-material cost, freight cost, and power cost, which aid the sector in expanding margins. The sector is also witnessing the easing of price erosion followed by increasing contributions from new product launches. We believe the sector is in a sweet spot, where it is experiencing a healthy product mix and cost rationalization, which increases operational profit of the companies. The sector is mainly a low-debt sector, witnessing increasing operational profit followed by the advantage of a low tax rate due to its operations in the SEZ sector; hence, overall, we have a positive view on the sector.

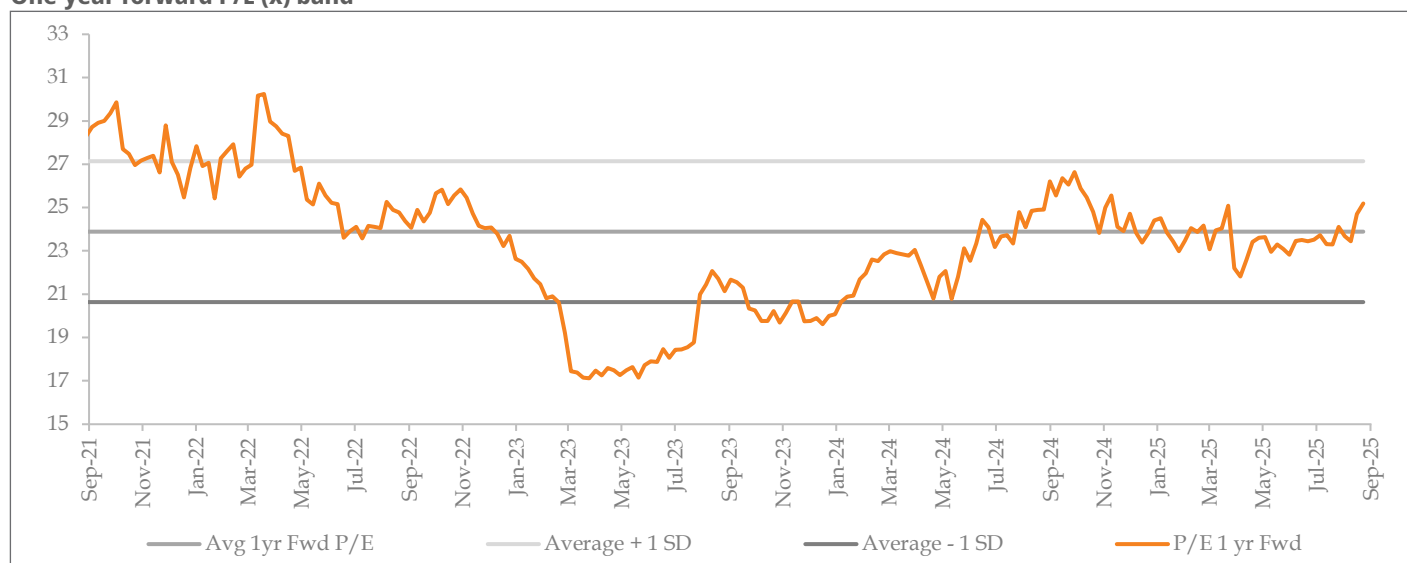
■ Company Outlook – Long-term outlook is strong

Cipla has seen an increase in the US revenue base to USD222 million a quarter versus an average base of USD160 million before, driven by differentiated products. The company's differentiated products comprising respiratory and peptide products are performing well in the US. Although some concerns include the fact that gAbraxane's and gAdvair's launches are likely to be delayed due to USFDA compliance pending at Indore and Goa plants, they are being de-risked. At the same time, India market growth is recovering and expected to continue to grow on account of a strong set of product launches in branded prescription and trade generics. A rebalanced supply chain in the US and a strong set of existing products should continue to drive profitable growth over FY2025-FY2028E.

■ Valuation – Maintain BUY with a revised PT of Rs. 1,754

While domestic and RoW performance continues to be stable, we expect new launches in the complex and biosimilar space in US to be the key triggers, going forward. We value the stock at 26x n FY27E EPS of Rs. 67.5, to arrive at a TP of 1,754.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

Cipla is a global pharmaceutical company with a geographically diversified presence and products registered in more than 170 countries. Indian branded formulations account for more than 40% of business and Cipla is among the top three players in the market. In the past, the company believed in the partnership model for international markets. However, in the past three years, the company has been undergoing a strategic shift and has started setting up its front-end divisions. Cipla is also a well-known global player in inhalers and antiretrovirals. Going forward, the company plans to launch combination inhalers in larger markets such as the U.S. and EU and is setting up its front ends to drive growth

Investment theme

Cipla banks on its branded business in India and South Africa, both of which together contribute ~56% to the business. A solid presence in the chronic segment in domestic markets along with a market leadership position in select chronic therapies such as respiratory, inhalation, and urology bodes well for the company. The recently launched complex and differentiated products have done extremely well in the U.S. Additionally, the India market would recover its sales growth post the high base effect from COVID-19 wanes away. At the same time, SAGA is recovering with market-beating growth. Although its key launches stand pending due to USFDA facility clearances, they are being de-risked with launches likely over the next two years.

Key Risks

- ♦ Slower than expected launch of products in the US.
- ♦ Currency Risk
- ♦ Lack of resolution on tariff issues in the US.

Additional Data

Key management personnel

Name	Designation
Samir Uttamlal Mehta	Chairman
Sudhir Menon	CFO
Aman Mehta	Whole - time Director

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	NPS Trust A/c Uti Retirement Solut	1.89
2	SBI Pension Funds Pvt Ltd	1.49
3	Blackrock Inc	1.48
4	Vanguard Group Inc/The	1.34
5	HDFC Asset Management Co Ltd	1.13
6	Goldman Sachs Group Inc/The	1.06
7	Franklin Resources Inc	0.98
8	FundRock Management Co SA	0.94
9	ICICI Prudential Life Insurance Co	0.61
10	Axis Asset Management Co Ltd/India	0.56

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai - 400708. Tel: 022 61169000 / 61150000.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

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Compliance Officer: Mr. Joby John Meledan; Tel: 022-4657 3809; email id: complianceofficer@sharekhan.com

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