Institutional Equities | Pharmaceuticals

Choice
Institutional Equities

**REDUCE**

**Sector View: Positive**

Q2FY26 Result Update

# Cipla: Margins Under Near-Term Pressure

**October 31, 2025 CMP: INR 1,541 | Target Price: INR 1,580**

**Expected Share Price Return: 2.6% I Dividend Yield: 0.9% I Potential Upside: 3.5%**

| | |
|---|---|
| Change in Estimates | ✓ |
| Change in Target Price | ✓ |
| Change in Recommendation | ✓ |

| **Company Info** | |
|---|---|
| BB Code | CIPLA IN EQUITY |
| Face Value (INR) | 2.0 |
| 52 W High/Low (INR) | 1,672/1,310 |
| Mkt Cap (Bn) | INR 1,244.4 / USD 14.0 |
| Shares o/s (Mn) | 807.8 |
| 3M Avg. Daily Volume | 13,52,042 |

**Change in CIE Estimates**

| | FY26E | | | FY27E | | |
|---|---|---|---|---|---|---|
| **INR Bn** | **New** | **Old** | **Dev. (%)** | **New** | **Old** | **Dev. (%)** |
| Revenue | 308.8 | 308.1 | 0.2 | 344.9 | 342.9 | 0.6 |
| EBITDA | 71.0 | 74.6 | (4.8) | 81.1 | 84.7 | (4.3) |
| EBITDAM % | 23.0 | 24.2 | (120) bps | 23.5 | 24.7 | (120) bps |
| PAT | 51.4 | 54.0 | (4.7) | 58.9 | 61.5 | (4.2) |
| EPS (INR) | 63.7 | 66.8 | (4.7) | 72.9 | 76.1 | (4.2) |

**Actual vs CIE Estimates**

| **INR Bn** | **Q2FY26A** | **CIE Estimate** | **Dev.%** |
|---|---|---|---|
| Revenue | 75.9 | 74.3 | 2.1 |
| EBITDA | 18.9 | 18.2 | 4.0 |
| EBITDAM % | 25.0 | 24.5 | 47 bps |
| PAT | 13.5 | 13.2 | 2.3 |

**Key Financials**

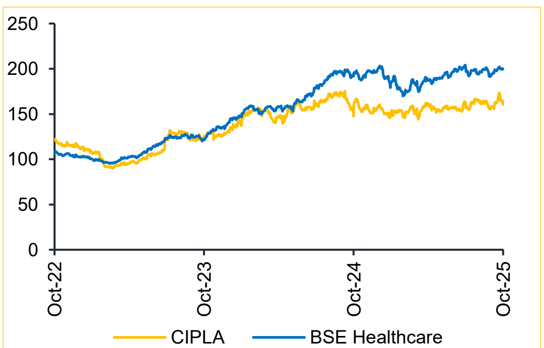
| **INR Bn** | **FY24** | **FY25** | **FY26E** | **FY27E** | **FY28E** |
|---|---|---|---|---|---|
| Revenue | 257.7 | 275.5 | 308.8 | 344.9 | 382.7 |
| YoY (%) | 13.3 | 6.9 | 12.1 | 11.7 | 11.0 |
| EBITDA | 62.9 | 71.3 | 71.0 | 81.1 | 91.9 |
| EBITDAM % | 24.4 | 25.9 | 23.0 | 23.5 | 24.0 |
| Adj PAT | 41.2 | 52.7 | 51.4 | 58.9 | 66.9 |
| EPS (INR) | 51.1 | 65.4 | 63.7 | 72.9 | 82.8 |
| ROE % | 15.4 | 16.9 | 14.2 | 13.9 | 13.7 |
| ROCE % | 19.2 | 19.0 | 16.3 | 16.1 | 15.9 |
| PE(x) | 30.2 | 23.6 | 24.2 | 21.1 | 18.6 |
| EV/EBITDA | 19.8 | 17.4 | 17.3 | 14.9 | 12.8 |

**Shareholding Pattern (%)**

| | **Sep 2025** | **Jun 2025** | **Mar 2025** |
|---|---|---|---|
| Promoters | 29.22 | 29.19 | 29.20 |
| FIIs | 24.54 | 25.24 | 26.28 |
| DIIs | 29.98 | 28.98 | 27.89 |
| Public | 16.26 | 16.57 | 16.62 |

**Relative Performance (%)**

| **YTD** | **3Y** | **2Y** | **1Y** |
|---|---|---|---|
| BSE Healthcare | 89.8 | 63.8 | 4.1 |
| CIPLA | 33.3 | 29.1 | 8.7 |





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## Revenue Growth Intact; Margin under Near-term Pressure

We expect CIPLA's revenue growth momentum to sustain, led by new launches in GLP-1s and biosimilars in India and the US. However, higher R&D spend and negligible Revlimid revenues are likely to pressure EBITDA margin from H2FY26. The management has revised FY26E EBITDA margin guidance to 22.8–24.0% (from 23.5–24.5%), although ***we expect margin support from the Eli Lilly partnership, starting H2FY27E.***

Reflecting this, we reduce our EPS estimate by 4.7%/4.2% for FY26E/FY27E. We retain valuation at 20x FY27–28E average EPS, leading to a revised TP of INR 1,580 (vs. INR 1,620 earlier) and downgrade to **REDUCE,** *given limited near-term triggers and moderating margin trajectory.*

## Performance Holds Steady with Broadly In-Line Results

- Revenue grew 7.6% YoY / 9.1% QoQ to INR 75.9 Bn (vs. CIE estimate: INR 74.3 Bn).
- EBITDA grew 0.5% YoY / 6.6% QoQ to INR 18.9 Bn (vs. CIE estimate: INR 18.2 Bn); margin contracted 178 bps YoY / 59 bps QoQ to 25.0% (vs. CIE estimate: 24.5%).
- PAT increased 3.7% YoY / 4.1% QoQ to INR 13.5 Bn (vs. CIE estimate: INR 13.2 Bn).

## FY26E Margin Seen at ~23%; Recovery Contingent on GLP-1 Ramp-up

H1FY26 performance remained strong with EBITDA margin at 25–25.5%. However, margin is expected to moderate sharply in H2FY26 due to: a *planned increase in R&D expenditure* (~7% of sales in FY26E vs. 5.5% in FY25); and a product mix shift as *Revlimid revenues taper off (negligible by Q3FY26)*. In line with these dynamics, management has revised FY26E EBITDA margin guidance downward to 22.8–24.0% (from 23.5–24.5%). Importantly, this outlook does not incorporate potential upside from the recently-announced Eli Lilly partnership for the GLP-1 molecule, Yurpeak® (Tirzepatide). ***We forecast FY26E EBITDA margin at ~23.0%, with a moderate recovery to ~23.5% in FY27E, supported by revenue contribution from the GLP-1 franchise.***

## India Momentum Holds; US faces Near-term Soft Patch

India and the US together accounted for ~68% of revenue in Q2FY26, underscoring their significance in the company's portfolio mix. We expect India growth to be supported by new product launches, particularly in the GLP-1 and chronic therapy segments, alongside sustained leadership in existing respiratory brands, such as Foracort. In contrast, the US growth is likely to moderate to mid-single digits, as incremental revenue from Albuterol and new biosimilar launches (e.g., Filgrastim) only partially offset the tapering Revlimid contribution.

| Particulars (INR Mn) | Q2FY26 | Q2FY25 | YoY (%) | Q1FY26 | QoQ (%) |
|---|---|---|---|---|---|
| Revenue | 75,894 | 70,510 | 7.6 | 69,575 | 9.1 |
| Cost of Goods Sold | 24,976 | 22,830 | 9.4 | 21,707 | 15.1 |
| Gross Margin (%) | 67.1 | 67.6 | (53) bps | 68.8 | (171) bps |
| Operating Expenses | 31,971 | 28,824 | 21.3 | 30,086 | 11.2 |
| EBITDA | 18,948 | 18,856 | 0.5 | 17,781 | 6.6 |
| EBITDA Margin (%) | 25.0 | 26.7 | (178) bps | 25.6 | (59) bps |
| Depreciation | 2,970 | 2,717 | 9.3 | 2,527 | 17.5 |
| Interest | 132 | 154 | (14.4) | 141 | (6.2) |
| PBT | 18,535 | 17,891 | 3.6 | 17,699 | 4.7 |
| Tax | 5,005 | 4,830 | 3.6 | 4,779 | 4.7 |
| PAT | 13,512 | 13,025 | 3.7 | 12,976 | 4.1 |
| EPS (INR) | 16.7 | 16.1 | 3.7 | 16.1 | 4.1 |

| Revenue Mix (INR Mn) | Q2FY26 | Q2FY25 | YoY (%) | Q1FY26 | QoQ (%) |
|---|---|---|---|---|---|
| India | 31,460 | 29,480 | 6.7 | 30,700 | 2.5 |
| North America | 20,390 | 19,860 | 2.7 | 19,330 | 5.5 |
| SAGA | 11,780 | 10,681 | 10.3 | 8,710 | 35.2 |
| International Markets | 9,670 | 8,063 | 19.9 | 8,610 | 12.3 |
| API | 1,480 | 1,603 | (7.7) | 1,020 | 45.1 |
| Others | 1,110 | 826 | 34.4 | 1,210 | (8.3) |

*Source: CIPLA, Choice Institutional Equities*

## Management Call – Highlights

**India Business:**

- Chronic therapies now contribute 61.8% of revenue, with strong double-digit growth seen in Urology, Cardiac, Anti-diabetes and Dermatology portfolios.
- Added 4 new brands to the INR 1,000 Mn club, taking the total to 29; Foracort remained India's top respiratory brand.
- The Trade Generics business posted double-digit growth, supported by six new launches and entry into the Orthocare therapy segment.
- Consumer Health maintained its leadership with Nicotex, Omnigel and Cipladine ranked #1 in their categories.
- Outlook: ***Management expects India growth to reaccelerate in H2FY26,*** aided by the upcoming respiratory season and new chronic launches.

**North America Business:**

- Secured approval for Glucagon for Injection, strengthening its peptide and complex generics pipeline.
- First biosimilar launch: Filgrastim in the US — strategic entry into high-potential biologics.
- Upcoming launches, including four major respiratory products and three peptide assets including Liraglutide by CY2026, are expected to drive medium-term growth.
- Outlook: ***Revlimid to contribute modestly in Q3FY26; new launches expected to offset its decline over the next few quarters.***

**One Africa Business:**

- In South Africa, the private business grew 1.3x faster than the market, holding the #2 position in prescription and #3 overall.
- Growth was supported by strong performance in respiratory, CNS and anti-infective therapies, alongside six new product launches.
- Strong tender business and product pipeline supporting stable outlook.

**Emerging Markets & Europe:**

- Delivered its highest-ever quarterly revenue, driven by focused commercial execution and deep market coverage.
- Both direct-to-market and B2B businesses performed well, supported by portfolio expansion and product launches.
- ***Management remains focused on scaling the region*** profitably through margin-sustaining product mix and increasing penetration in key emerging markets.

**Eli Lilly Partnership & GLP-1 Portfolio**

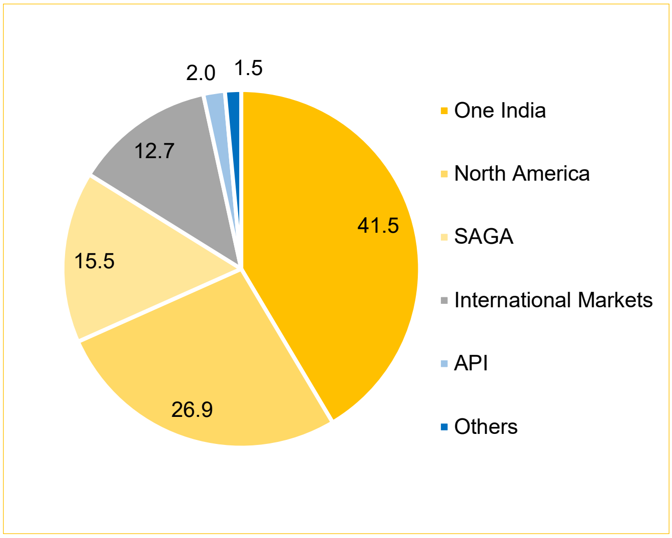
- ***Collaboration with Eli Lilly for Yurpeak (Tirzepatide) marks entry into obesity and diabetes management.***
- Management highlighted that Tirzepatide, the first and only dual agonist of GIP and GLP-1, offers superior science and is viewed as a market-shaping opportunity.
- Semaglutide approval has been delayed; Cipla will evaluate the timing and strategy for launch post-approval.

**Outlook:**

- ***EBITDA margin guidance revised to 22.75–24% (earlier 23.5–24.5%)***, reflecting higher R&D and the absence of Revlimid contribution in H2.
- ***Management highlighted balanced growth across all core geographies***, continued investment in pipeline execution and emphasis on operational efficiency.
- Key focus areas for FY26 include:
  - India: Regain market-beating growth in branded and trade generics.
  - US: Strengthen commercial execution and accelerate new launches.
  - South Africa: Margin expansion in next two quarters.
  - EMEU: Deepen market penetration and sustain strong margin.

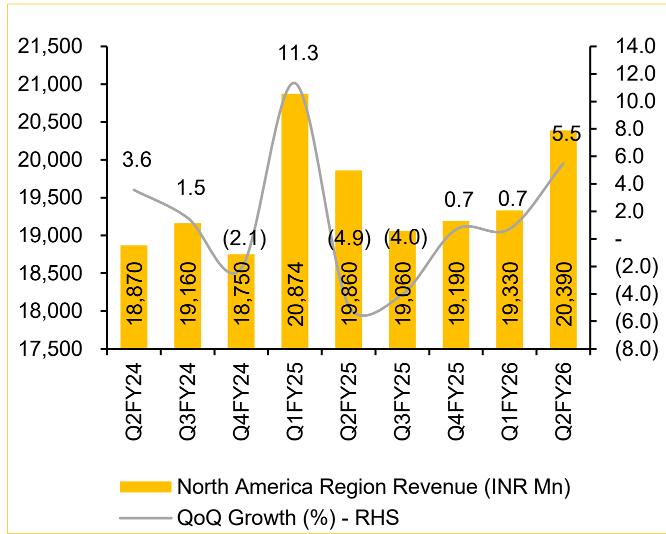

- *EBITDA margin guidance revised to 22.75–24% (earlier 23.5–24.5%).*
- *Revlimid to contribute modestly in Q3FY26; new launches expected to offset its decline.*
- *First biosimilar launch: Filgrastim in the US — strategic entry into high-potential biologics.*
- *Partnership with Eli Lilly for Yurpeak (Tirzepatide) is viewed as a market-shaping opportunity.*

## Q2FY26 Segment Revenue Split (INR 75.9 Bn)



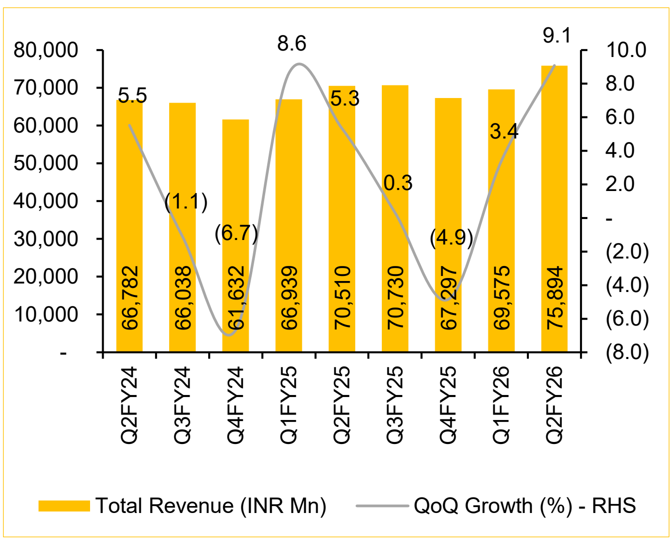

Source: CIPLA, Choice Institutional Equities

## North America Growth on Back of Albuterol Gain



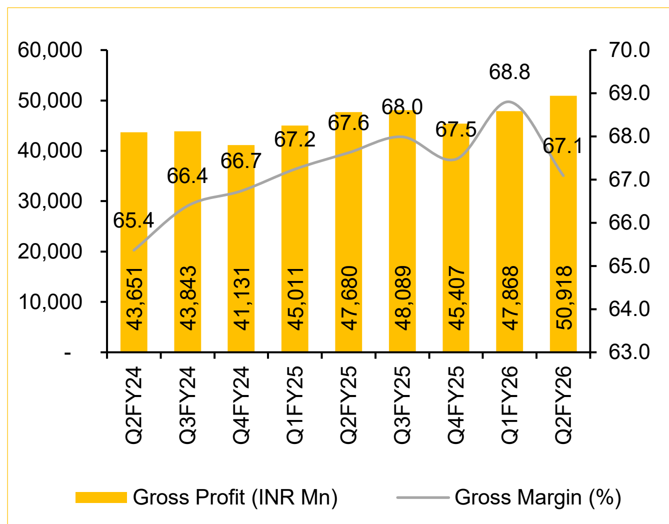

Source: CIPLA, Choice Institutional Equities

## Revenue Growth Above Estimates



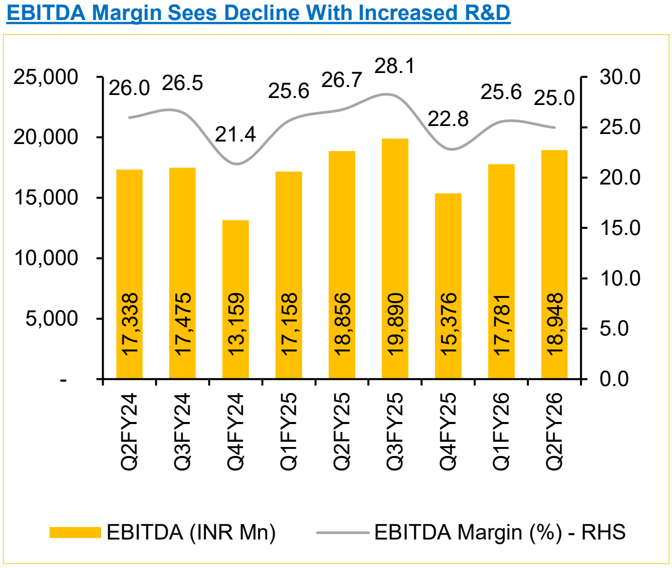

Source: CIPLA, Choice Institutional Equities

## Gross Profit Impacted on Change in Product Mix



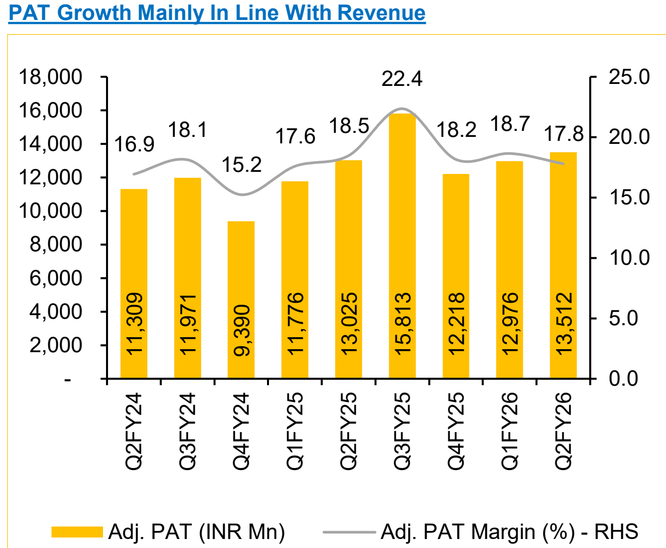

Source: CIPLA, Choice Institutional Equities

## EBITDA Margin Sees Decline With Increased R&D



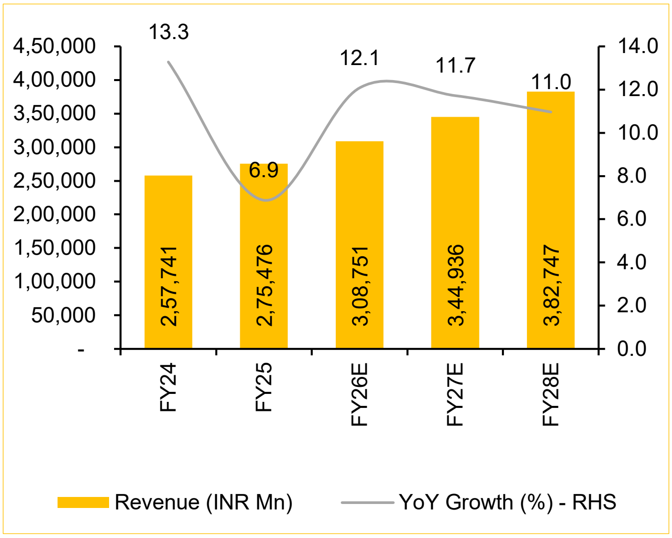

Source: CIPLA, Choice Institutional Equities

## PAT Growth Mainly In Line With Revenue



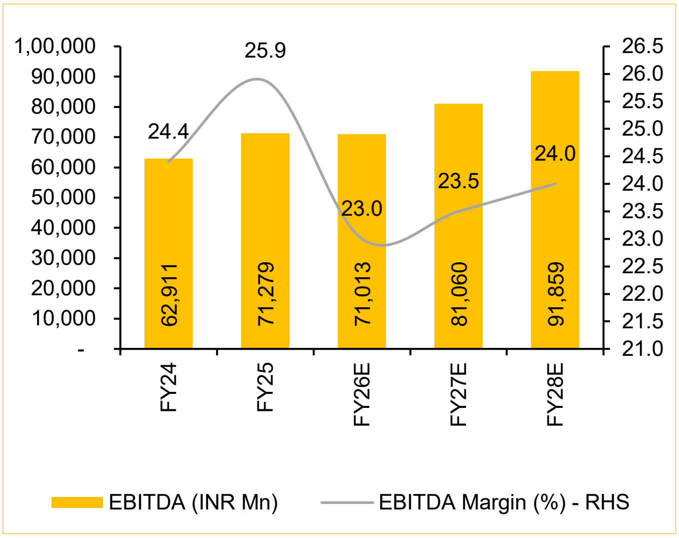

Source: CIPLA, Choice Institutional Equities

**Revenue to Expand at 11.6% CAGR FY25-28E**



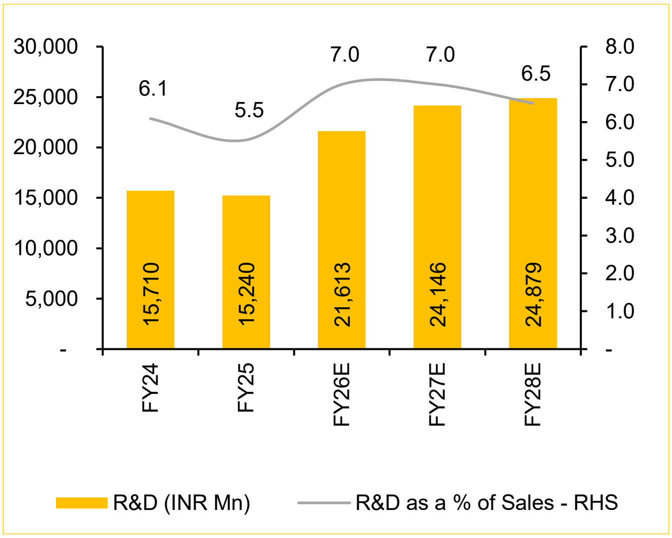

*Source: CIPLA, Choice Institutional Equities*

**EBITDA Margin to be Impacted by R&D Expenses**



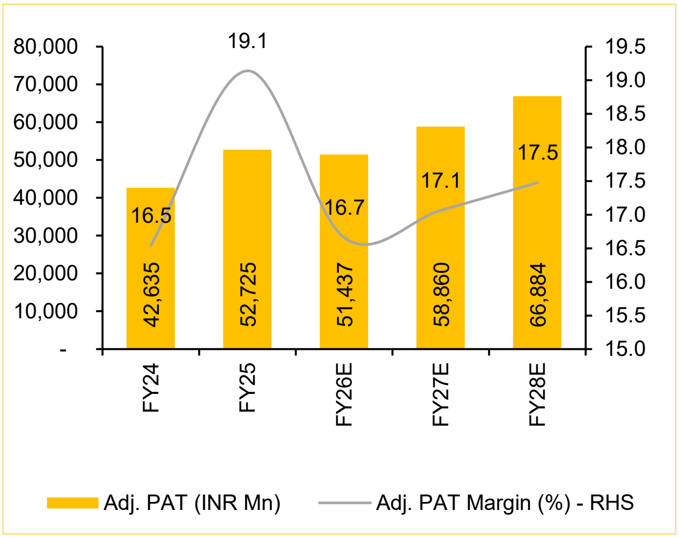

*Source: CIPLA, Choice Institutional Equities*

**R&D Investments to Accelerate**



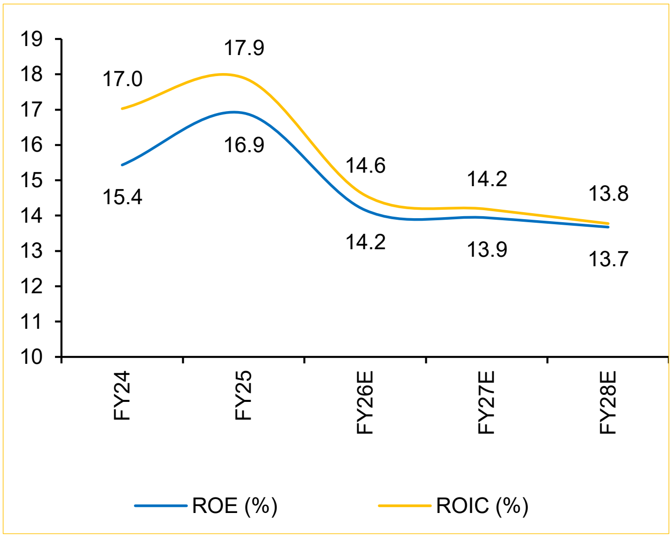

*Source: CIPLA, Choice Institutional Equities*

**PAT Growth Expected In Line with Estimates**



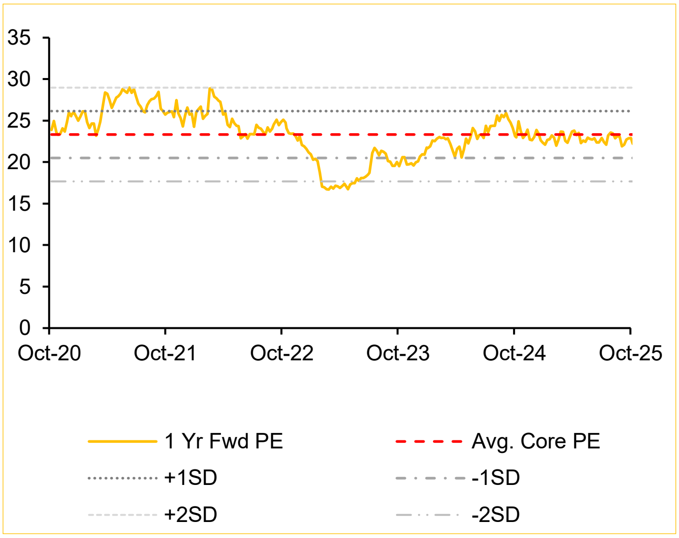

*Source: CIPLA, Choice Institutional Equities*

**ROE and ROIC Trends**




*Source: CIPLA, Choice Institutional Equities*

**1-year Forward PE Band**




*Source: CIPLA, Choice Institutional Equities*

## Income Statement (INR Mn)

| Particular | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Revenue | 2,57,741 | 2,75,476 | 3,08,751 | 3,44,936 | 3,82,747 |
| Gross Profit | 1,69,545 | 1,86,186 | 2,08,407 | 2,32,832 | 2,58,354 |
| EBITDA | 62,911 | 71,279 | 71,013 | 81,060 | 91,859 |
| Depreciation | 10,510 | 11,070 | 11,079 | 12,314 | 13,549 |
| EBIT | 52,400 | 60,210 | 59,934 | 68,746 | 78,311 |
| Other Income | 7,466 | 8,619 | 9,263 | 10,348 | 11,482 |
| Interest Expense | 899 | 620 | 592 | 592 | 592 |
| PBT | 57,019 | 68,208 | 68,605 | 78,503 | 89,201 |
| PAT | 41,216 | 52,725 | 51,437 | 58,860 | 66,884 |
| EPS (INR) | 51.1 | 65.4 | 63.7 | 72.9 | 82.8 |

| Ratio Analysis | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Growth Ratios (%)** | | | | | |
| Revenue | 13.3 | 6.9 | 12.1 | 11.7 | 11.0 |
| EBITDA | 25.1 | 13.3 | -0.4 | 14.1 | 13.3 |
| PBT | 41.2 | 19.6 | 0.6 | 14.4 | 13.6 |
| PAT | 47.1 | 27.9 | -2.4 | 14.4 | 13.6 |
| **Margins (%)** | | | | | |
| Gross Profit Margin | 65.8 | 67.6 | 67.5 | 67.5 | 67.5 |
| EBITDA Margin | 24.4 | 25.9 | 23.0 | 23.5 | 24.0 |
| PBT Margin | 22.1 | 24.8 | 22.2 | 22.8 | 23.3 |
| Tax rate | 27.1 | 22.4 | 25.0 | 25.0 | 25.0 |
| PAT Margin | 16.0 | 19.1 | 16.7 | 17.1 | 17.5 |
| **Profitability (%)** | | | | | |
| ROE | 15.4 | 16.9 | 14.2 | 13.9 | 13.7 |
| ROIC | 17.0 | 17.9 | 14.6 | 14.2 | 13.8 |
| ROCE | 19.2 | 19.0 | 16.3 | 16.1 | 15.9 |
| **Financial Leverage** | | | | | |
| OCF/EBITDA (x) | 0.7 | 0.7 | 0.7 | 0.6 | 0.7 |
| OCF/Net Profit (x) | 1.0 | 0.9 | 0.9 | 0.9 | 1.0 |
| Debt to Equity | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest Coverage | 58.3 | 97.1 | 101.3 | 116.2 | 132.4 |
| **Working Capital** | | | | | |
| Inventory Days | 74 | 75 | 75 | 75 | 75 |
| Debtor Days | 68 | 73 | 75 | 75 | 75 |
| Payable Days | 35 | 38 | 33 | 33 | 29 |
| Cash Conversion Cycle | 107 | 110 | 117 | 117 | 121 |
| **Valuation Metrics** | | | | | |
| No of Shares (Mn) | 807 | 807 | 808 | 808 | 808 |
| EPS (INR) | 51.1 | 65.4 | 63.7 | 72.9 | 82.8 |
| BVPS (INR) | 330.8 | 386.2 | 449.9 | 522.8 | 605.6 |
| Market Cap (INR Bn) | 1,243.7 | 1,244.1 | 1,244.1 | 1,244.1 | 1,244.1 |
| PE | 30.2 | 23.6 | 24.2 | 21.1 | 18.6 |
| P/BV | 4.7 | 4.0 | 3.4 | 2.9 | 2.5 |
| EV/EBITDA | 19.8 | 17.4 | 17.3 | 14.9 | 12.8 |
| EV/Sales | 4.8 | 4.5 | 4.0 | 3.5 | 3.1 |

*Source: CIPLA, Choice Institutional Equities*

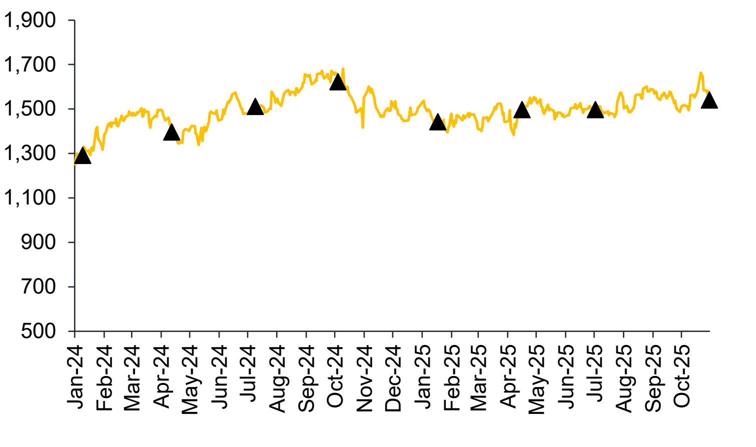
## Balance Sheet (INR Mn)

| Particular | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Net Worth | 2,68,023 | 3,12,893 | 3,64,296 | 4,23,123 | 4,89,975 |
| Borrowings | 5,594 | 4,382 | 4,382 | 4,382 | 4,382 |
| Trade Payables | 24,740 | 28,375 | 27,491 | 30,713 | 30,672 |
| Other Non-Current Liabilities | 4,443 | 3,614 | 3,614 | 3,614 | 3,614 |
| Other Current Liabilities | 24,378 | 24,608 | 24,608 | 14,608 | 14,608 |
| **Total Net Worth & liabilities** | **3,27,178** | **3,73,870** | **4,24,391** | **4,76,440** | **5,43,250** |
| Net Block | 46,419 | 48,139 | 51,061 | 51,747 | 51,198 |
| Capital WIP | 8,643 | 12,128 | 14,128 | 16,128 | 18,128 |
| Goodwill & intangible assets | 47,130 | 49,864 | 49,864 | 49,864 | 49,864 |
| Investments | 55,628 | 80,440 | 85,210 | 90,292 | 95,706 |
| Trade Receivables | 47,707 | 55,064 | 63,442 | 70,877 | 78,647 |
| Inventory | 52,380 | 56,421 | 63,230 | 70,641 | 78,384 |
| Cash & Cash Equivalents | 8,750 | 7,998 | 21,064 | 42,019 | 77,969 |
| Other Non-Current Assets | 23,013 | 23,347 | 30,922 | 39,404 | 47,885 |
| Other Current Assets | 37,508 | 40,470 | 45,470 | 45,470 | 45,470 |
| **Total Assets** | **3,27,178** | **3,73,870** | **4,24,391** | **4,76,440** | **5,43,250** |

| Cash Flows (INR Mn) | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Cash Flows From Operations | 41,339 | 50,050 | 47,053 | 50,158 | 65,487 |
| Cash Flows From Investing | (29,881) | (36,911) | (18,770) | (18,082) | (18,414) |
| Cash Flows From Financing | (12,004) | (12,928) | (16,123) | (11,123) | (11,123) |

| DuPont Analysis | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Tax Burden (%) | 72.3 | 77.3 | 75.0 | 75.0 | 75.0 |
| Interest Burden (%) | 108.8 | 113.3 | 114.5 | 114.2 | 113.9 |
| EBIT Margin (%) | 20.3 | 21.9 | 19.4 | 19.9 | 20.5 |
| Asset Turnover (x) | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 |
| Equity Multiplier (x) | 1.2 | 1.2 | 1.2 | 1.1 | 1.1 |
| **ROE (%)** | **15.4** | **16.9** | **14.2** | **13.9** | **13.7** |

## Historical Price Chart: CIPLA




| Date | Rating | Target Price |
|---|---|---|
| January 25, 2024 | ADD | 1,541 |
| May 12, 2024 | BUY | 1,552 |
| July 28, 2024 | BUY | 1,702 |
| October 30, 2024 | BUY | 1,543 |
| January 29, 2025 | BUY | 1,865 |
| May 14, 2025 | REDUCE | 1,445 |
| July 28, 2025 | ADD | 1,620 |
| October 31, 2025 | REDUCE | 1,580 |

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| CHOICE RATING DISTRIBUTION & METHODOLOGY | |
|---|---|
| **Large Cap*** | |
| BUY | The security is expected to generate upside of 15% or more over the next 12 months |
| ADD | The security is expected to show upside returns from 5% to less than 15% over the next 12 months |
| REDUCE | The security is expected to show upside or downside returns by 5% to -5% over the next 12 months |
| SELL | The security is expected to show downside of 5% or more over the next 12 months |
| **Mid & Small Cap*** | |
| BUY | The security is expected to generate upside of 20% or more over the next 12 months |
| ADD | The security is expected to show upside returns from 5% to less than 20% over the next 12 months |
| REDUCE | The security is expected to show upside or downside returns by 5% to -10% over the next 12 months |
| SELL | The security is expected to show downside of 10% or more over the next 12 months |
| **Other Ratings** | |
| NOT RATED (NR) | The stock has no recommendation from the Analyst |
| UNDER REVIEW (UR) | The stock is under review by the Analyst and rating may change |
| **Sector View** | |
| POSITIVE (P) | Fundamentals of the sector look attractive over the next 12 months |
| NEUTRAL (N) | Fundamentals of the sector are expected to be in statis  over the next 12 months |
| CAUTIOUS (C) | Fundamentals of the sector are expected to be challenging over the next 12 months |

***Large Cap: More Than INR 20,000Cr Market Cap**
***Mid & Small Cap: Less Than INR 20,000Cr Market Cap**

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