HOLD
TP: Rs 1,302 | ▼ 4%

CIPLA

| Pharmaceuticals | 27 October 2026

New products in North America to scale up from 4QFY27E

- **Sales/EBITDA/PAT reported 3.1%/4.5%/-3.4% above our estimates. EBITDA Margin reported at 24 bps above our estimates at 18.7%**
- **Do not foresee US sales scaling to USD1bn by FY28E with the given new product launches. Lanreotide sales unlikely to contribute in FY28E**
- **On rolling forward to a Sep'28 eps of Rs 59, we continue to ascribe a PE of 22x to arrive at a PT of Rs 1302 per share (earlier PT Rs 1452)**

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In-line earnings - Sales declined by 2.4% YoY but grew by 4% QoQ to Rs 74bn. This was driven by 11.8% YoY growth in domestic sales, which was offset by a 25% decline in US sales and flat growth in One Africa and EMs. The healthy business mix was offset by 5.4% YoY growth in raw material cost to Rs 26.3bn, leading to a 266 bps YoY decline in gross margin to 64.4%. R&D cost declined by 26.8% YoY to Rs 4.2bn, which was offset by 10.5% YoY growth in SG&A cost (excluding R&D) to Rs 14.8bn and 12.2% YoY growth in employee cost, leading to a 26.8% YoY decline in EBITDA to Rs 13.87bn. Thus, EBITDA margin declined by 622 bps YoY and increased by 199.6 bps QoQ to 18.7%. Depreciation grew by 16.1%, interest cost grew by 27% YoY, and other income declined by 43.8% YoY, leading to a 35% YoY decline and 11.2% QoQ growth in PAT to Rs 8.7bn.

North America sales grew sequentially due to new launches – North America sales declined by 26% YoY but grew by 6% QoQ to USD 172mn and declined by 19% YoY but grew by 7% QoQ to Rs 16.4bn. The yearly decline is mainly due to Lanreotide in the base; however, on a sequential basis, the growth was driven mainly by new launches such as Ventolin. Cipla received approval for gAdvair and expects approval for gSymbicort in 3QFY27 (goal date: Nov'26). Cipla expects its US facility to expedite supplies of Ventolin and Advair by 4QFY27, leading to an escalation in US sales. Factoring in new respiratory launches and a new peptide, we believe Cipla would exit FY27 with ~USD 750mn (vs guidance of USD 1bn).

Domestic sales grew at par with the IPM – Cipla's domestic sales grew at par with the IPM at 12%, driven by growth in branded prescription and double-digit growth in trade generics. Cipla's chronic business contribution was reported at 60.3%. We expect domestic sales to continue growing at a 12% CAGR over FY27-29E.

Valuations - We lowered our EPS estimates by 11% for FY27E, 16% for FY28E and 19% for FY29E. However, we maintain our Hold rating due to participation in the Keytruda LoE in US in FY29. On rolling forward to a Sep'28 EPS of Rs 59, we continue to ascribe a 22x PE (lower than closest peer Lupin due to its lower margin profile) to arrive at a PT of Rs 1,302 (Earlier PT of Rs 1452)

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	CIPLA IN/Rs 1,350
Market cap	US$ 11.5bn
Free float	65%
3M ADV	US$ 14.3mn
52wk high/low	Rs 1,593/Rs 1,166
Promoter/FPI/DII	33%/26%/24%

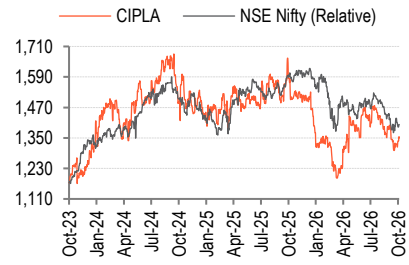
Source: NSE | Price as of 27 Oct 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	281,630	302,755	328,293
EBITDA (Rs mn)	59,253	56,911	65,274
Adj. net profit (Rs mn)	41,976	36,866	43,329
Adj. EPS (Rs)	52.1	45.8	53.8
Consensus EPS (Rs)	48.0	52.1	64.3
Adj. ROAE (%)	13.1	10.4	11.1
Adj. P/E (x)	25.9	29.5	25.1
EV/EBITDA (x)	19.7	20.7	18.5
Adj. EPS growth (%)	(20.4)	(12.2)	17.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Financial Highlights

Fig 1 – Quarterly snapshot

(Rs mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Q2FY27E	Var (%)
Net Sales	74,039	75,894	(2.4)	71,193	4	71,799	3.1
Total Expenses	60,162	56,947		59,270		58,516	2.8
(%) of net sales	81	75		83		82	
Raw material consumed	26,337	24,976	5.4	26,672		25,848	1.9
(%) of net sales	36	33		37		36	
Gross Profit	47,702	50,918	(6.3)	44,521	7.1	45,951	3.8
Staff cost	14,746	13,148	12.2	14,974	(1.5)	14,360	2.7
(%) of net sales	19.9	17.3		21.0		20.0	
R&D cost	4,230	5,390	(21.5)	4,860	(13.0)	4,667	(9.4)
(%) of net sales	5.7	7.1		6.8		6.5	
SG&A ex of R&D	14,848	13,433	10.5	12,764	16.3	13,642	8.8
(%) of net sales	20.1	17.7		17.9		19.0	
EBITDA	13,878	18,947	(26.8)	11,923	16.4	13,283	4.5
Depreciation	3,449	2,970	16.1	3,042	13.4	2,872	20.1
EBIT	10,429	15,977	(34.7)	8,881	17.4	10,411	
Interest	167	132	27.0	170	(1.7)	144	16.6
Other Income	1,512	2,690	(43.8)	2,109	(28.3)	2,154	(29.8)
PBT	11,773	18,535	(36.5)	10,819	8.8	12,421	(5.2)
Less: Taxation	3,208	5,005	(35.9)	2,948	8.8	3,354	(4.3)
Less: Minority Interest	(210)	19		(20)		(20)	
Recurring PAT	8,775	13,512	(35.1)	7,891	11.2	9,087	(3.4)
Exceptional items	0	0		0		0	
Reported PAT	8,775	13,512	(35.1)	7,891	11.2	9,087	(3.4)
Key Ratios (%)			Bps		Bps		Bps
Gross Margin	64.4	67.1	(266)	62.5	189.2	64.0	42.8
EBITDA Margin	18.7	25.0	(622)	16.7	199.6	18.5	24.4
Tax / PBT	27.2	27.0		27.3	(0.1)	27.0	25.0
NPM	11.9	17.8	(595)	11.1	76.9	12.7	(80.4)
EPS (Rs)	10.9	16.7	(35.0)	9.8	11.2	11.3	(3.4)

Source: Company, BOBCAPS Research

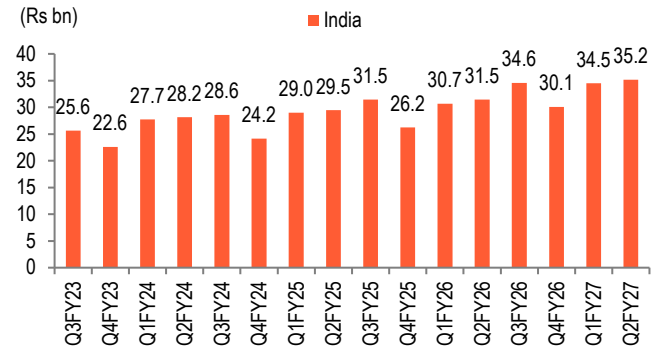
Fig 2 – Segmental revenue

(Rs mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Q2FY27E	Var (%)
Formulations	72,970	73,300	(0.5)	69,600	4.8	71,799	1.6
India	35,160	31,460	11.8	34,520	1.9	35,550	(1.1)
North America	16,430	20,390	(19.4)	15,320	7.2	15,217	8.0
One Africa	11,710	11,780	(0.6)	9,770	19.9	10,038	16.7
EMs	9,670	9,670	0.0	9,990	(3.2)	10,994	(12.0)
APIs	1,070	2,590	(58.7)	1,600	(33.1)	0	#DIV/0!
Others	-	-		-	#DIV/0!	0	
Net Sales	74,040	75,890	(2.4)	71,200	4	71,799	3.1

Source: Company, BOBCAPS Research

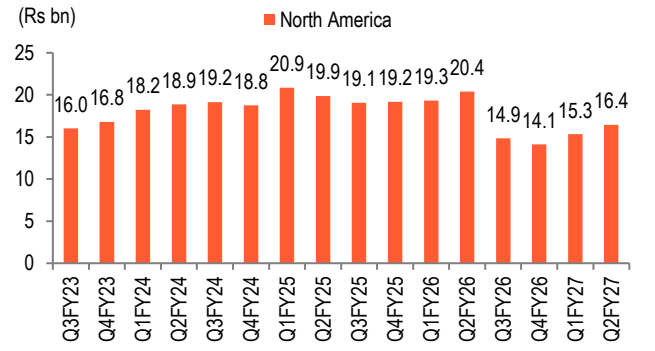
Financial charts

India sales driven by both branded and trade generics portfolio



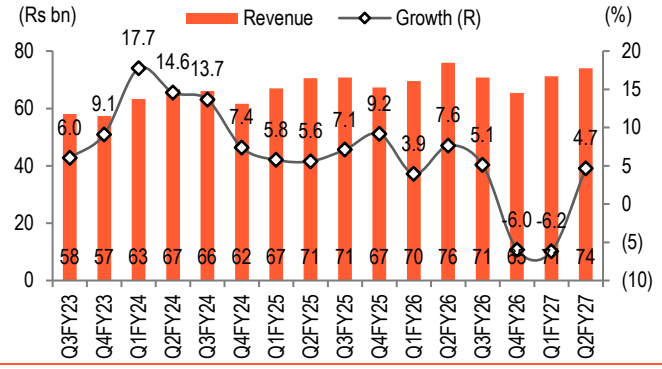
Source: Company, BOBCAPS Research

Fig 3 – Sequential growth driven by new launches



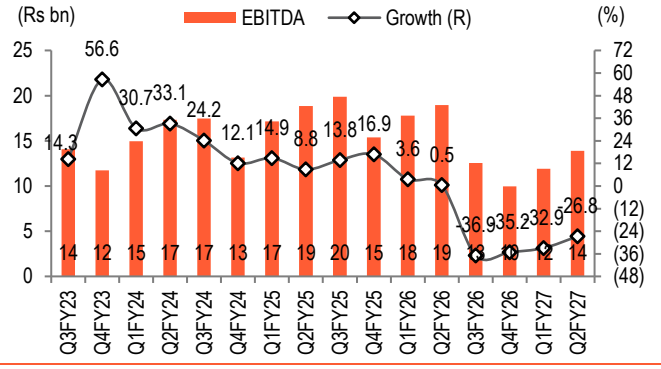
Source: Company, BOBCAPS Research

Fig 4 – Revenue growth driven primarily by domestic sales



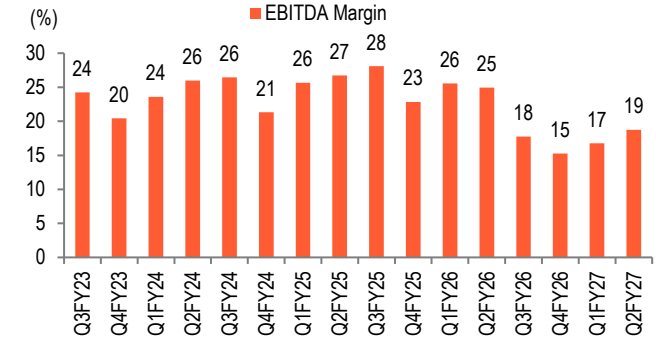
Source: Company, BOBCAPS Research

Fig 5 – Change in business mix led to EBITDA growth



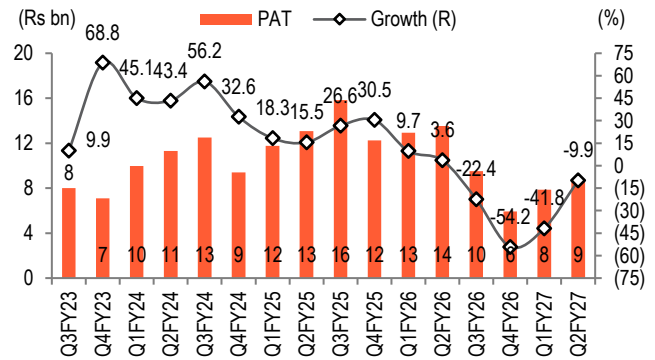
Source: Company, BOBCAPS Research

Fig 6 – EBITDA Margin sequentially driven by new launches



Source: Company, BOBCAPS Research

Fig 7 – Healthy operations led to healthy PAT



Source: Company, BOBCAPS Research

Earnings call highlights

Guidance (unchanged)

- U.S. exit run rate of **$1 billion annualized** (about $250M per quarter) by FY27 end
- FY27 EBITDA margin of **18.5-20%**, with sequential improvement in Q3 and Q4

One India

- Branded prescription: **15% growth** (H1: 14.6% vs. market 14.3%); chronic mix 60.3%
- Respiratory +11%, anti-diabetes +50% (including GLP-1), urology +11%, dermatology +16%
- Tirzepatide (Yurpeak) is the second-largest GLP-1 brand, growing 5-10% month on month
- Trade generics: double-digit QoQ growth but only mid-single-digit YoY, due to seasonality and cost factors
- Consumer health: high-single-digit growth, with cost and pricing headwinds. Management expects double-digit growth ahead.
- Oncology trade margin cap: management does not expect a significant impact

North America

- Revenue of **$172M** (+$10M QoQ)
- #1 in the albuterol MDI market with **22% share**
- Approvals: generic Ventolin (Q1) and **generic Advair (Q2, first DPI from the U.S. plant)**. Advair launches in Q3, a couple of months later than usual.
- Ramp-up is supply-constrained at the new U.S. facility, not demand-constrained
- Three more launches expected this fiscal year: two respiratory (one is Symbicort) and one peptide, none named beyond Symbicort
- **Lanreotide is not expected back in FY27** and is excluded from the $1B guidance. Two paths: Pharmathen remediation and a new North American site.
- Partnered with **Qilu for a Keytruda (pembrolizumab) biosimilar**, with filing next year and launch targeted at the 2029 patent expiry
- 45-50 complex filings planned over three years, versus roughly 10 a year historically

South Africa

- Private market secondary growth of **6.5% vs. market 5%** (IQVIA MAT August 2026), about 30% faster than the market
- One Africa continues to strengthen through key therapies and new launches

- Reported (primary) numbers look weaker for two reasons:
  - An **accounting change** that restates revenue slightly lower with no change to EBITDA
  - A **lost tender** that Cipla contested in court. A **favorable ruling came a few days before the call**, and management hopes the business will recover.
- Tender exposure across EMEU is “not that high,” with South Africa the largest piece. The exact share and the primary growth rate were not quantified.
- Priority: keep growing faster than the private market

EMEU

- Revenue of **$101M** in a challenging geopolitical environment, with market-specific headwinds
- Resilience from execution and cost discipline across DTM and B2B
- Priority: drive top-line growth while maintaining a strong margin trajectory

Regulatory

- InvaGen Unit III (New York): **VAI**
- InvaGen Long Island: **zero Form 483 observations**
- Pithampur: **7 observations** in a follow-up inspection, with no repeat observations and no data integrity issues. The site is still under OAI status, and conversion to VAI would open further opportunities.

Pipeline and strategy

- Four biosimilars in development. The lead asset is expected to need no Phase III, per an FDA consultation.
- A second respiratory biosimilar has entered clinical development
- Biosimilar manufacturing through the Aspergen JV with Kemwell, in which Cipla holds majority ownership

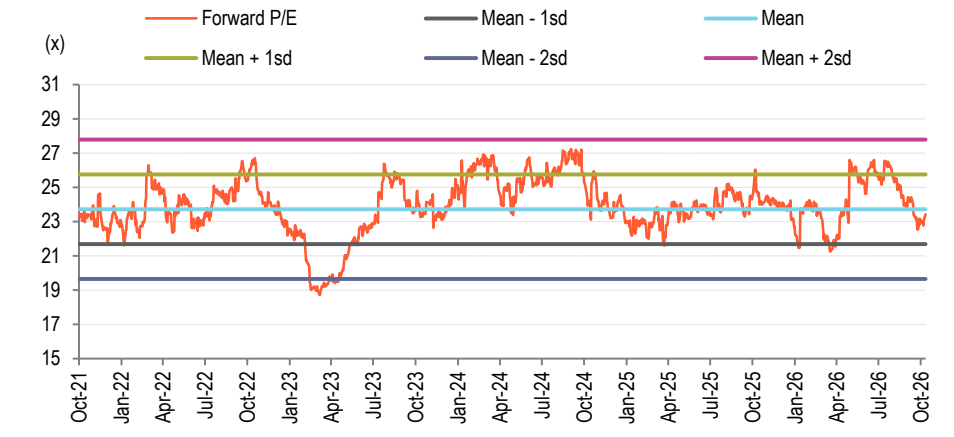
Valuation methodology

Cipla's earnings were in line with our estimates on all fronts. Going forward, we expect new launches to drive US growth on a normalized base (excluding Lanreotide in 3QFY26). New product launches should lead to growth in US sales on both a yearly and sequential basis; however, we do not foresee US sales reaching USD 1bn in FY27E or FY28E.

We also factor in flat constant-currency sales for Emerging Markets and One Africa, and IPM-level growth for the domestic region. The company has a good pipeline: it intends to file 40-50 complex generics products in 2-3 years, has four biosimilars in development for the global market, and expects to participate in the Keytruda LoE with a day-1 launch (filing next year). However, after the two new respiratory products and one peptide product, we believe there are no meaningful launches until Keytruda and Keytruda can be a meaningful opportunity (TAM~20bn). Hence, we maintain our Hold rating on the stock.

Factoring in lower other income, higher depreciation (new US respiratory plant) and a higher tax rate of 27%, we lowered our EPS estimates by 11% for FY27E, 16% for FY28E and 19% for FY29E. However, we maintain our Hold rating due to the opportunity from participating in the Keytruda LoE in US sales. On rolling forward to a Sep'28 EPS of Rs 59, we continue to ascribe a 22x PE (lower than closest peer Lupin due to its lower margin profile) to arrive at a PT of Rs 1,302.

Fig 8 – 1 year forward PE band



Source: Bloomberg

Fig 9 – Change in estimates table

Rs mn	New			Old			Variance		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Sales	302755	328293	354385	309,510	342,903	382,041	-2%	-4%	-7%
EBITDA	56911	65274	75868	59,556	68,822	84,519	-4%	-5%	-10%
EBITDA Margin (%)	19%	19.9%	21.4%	19.2%	20.1%	22.1%	-0.4bps	-0.2bps	-0.7bps
EPS (Rs)	45.7	53.7	64.7	51.2	63.6	79.4	-11%	-16%	-19%

Source: Company, BOBCAPS Research

Key Risks

- India sales unable to grow at IPM
- Lack of timely approval for respiratory and peptide product
- Price erosion pressure in the base portfolio
- Higher input costs

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**275,480**	**281,630**	**302,755**	**328,293**	**354,385**
EBITDA	71,283	59,253	56,911	65,274	75,868
Depreciation	11,070	12,110	13,580	14,613	15,217
EBIT	60,213	47,144	43,332	50,661	60,651
Net interest inc./(exp.)	(620)	(544)	(638)	(495)	(486)
Other inc./(exp.)	8,610	8,820	6,837	8,142	10,236
Exceptional items	0	0	0	0	0
EBT	68,203	55,420	49,531	58,308	70,401
Income taxes	15,298	13,538	13,430	15,743	19,008
Extraordinary items	0	(3,179)	0	0	0
Min. int./Inc. from assoc.	185	(94)	(765)	(765)	(765)
Reported net profit	**52,720**	**38,796**	**36,866**	**43,329**	**52,158**
Adjustments	0	(3,179)	0	0	0
Adjusted net profit	**52,720**	**41,976**	**36,866**	**43,329**	**52,158**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	28,375	32,299	37,326	42,273	46,604
Other current liabilities	9,033	15,621	18,165	22,981	28,351
Provisions	18,653	24,167	25,980	28,171	30,410
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	368,173	406,701	454,057
Shareholders' fund	306,979	337,724	369,788	408,316	455,672
Total liab. and equities	**367,421**	**415,949**	**457,704**	**508,508**	**568,142**
Cash and cash eq.	7,998	8,751	9,409	7,246	4,222
Accounts receivables	55,064	56,201	62,210	68,357	74,761
Inventories	56,421	65,967	71,334	78,251	85,441
Other current assets	52,884	58,030	57,524	65,659	74,421
Investments	80,440	82,234	106,904	138,976	180,668
Net fixed assets	52,623	60,398	61,818	60,206	57,989
CWIP	15,663	20,422	20,422	20,422	20,422
Intangible assets	46,329	63,946	68,082	69,392	70,219
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	**367,421**	**415,949**	**457,704**	**508,508**	**568,142**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**54,853**	**51,648**	**49,597**	**49,193**	**57,444**
Capital expenditures	(7,659)	(15,051)	(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	**(32,471)**	**(16,845)**	**(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)	(638)	(495)	(486)
Dividends paid	(10,496)	(12,918)	(4,037)	(4,037)	(4,037)
Other financing cash flows	(10,806)	(22,344)	(4,901)	(2,075)	(1,591)
Cash flow from financing	**(23,134)**	**(34,050)**	**(9,269)**	**(6,285)**	**(5,775)**
Chg in cash & cash eq.	**(752)**	**753**	**658**	**(2,163)**	**(3,024)**
Closing cash & cash eq.	**7,998**	**8,751**	**9,409**	**7,246**	**4,222**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	65.4	48.2	45.8	53.8	64.7
Adjusted EPS	65.4	52.1	45.8	53.8	64.7
Dividend per share	13.0	16.0	5.0	5.0	5.0
Book value per share	379.6	417.8	458.5	507.2	566.9

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	4.2	4.1	3.9	3.7	3.5
EV/EBITDA	16.2	19.7	20.7	18.5	16.3
Adjusted P/E	20.6	25.9	29.5	25.1	20.9
P/BV	3.6	3.2	2.9	2.7	2.4

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	77.3	75.7	74.4	74.3	74.1
Interest burden (PBT/EBIT)	113.3	117.6	114.3	115.1	116.1
EBIT margin (EBIT/Revenue)	21.9	16.7	14.3	15.4	17.1
Asset turnover (Rev./Avg TA)	23.7	21.5	21.0	20.7	20.2
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	18.5	13.1	10.4	11.1	12.0

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	6.9	2.2	7.5	8.4	7.9
EBITDA	13.3	(16.9)	(4.0)	14.7	16.2
Adjusted EPS	22.1	(20.4)	(12.2)	17.5	20.4
Profitability & Return ratios (%)					
EBITDA margin	25.9	21.0	18.8	19.9	21.4
EBIT margin	21.9	16.7	14.3	15.4	17.1
Adjusted profit margin	19.1	14.9	12.2	13.2	14.7
Adjusted ROAE	18.5	13.1	10.4	11.1	12.0
ROCE	23.7	17.1	13.9	14.9	16.1
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	2.7	2.4	2.3	2.3	2.2
Current ratio	3.1	2.6	2.5	2.3	2.3
Net interest coverage ratio	97.1	86.7	67.9	102.3	124.9
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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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

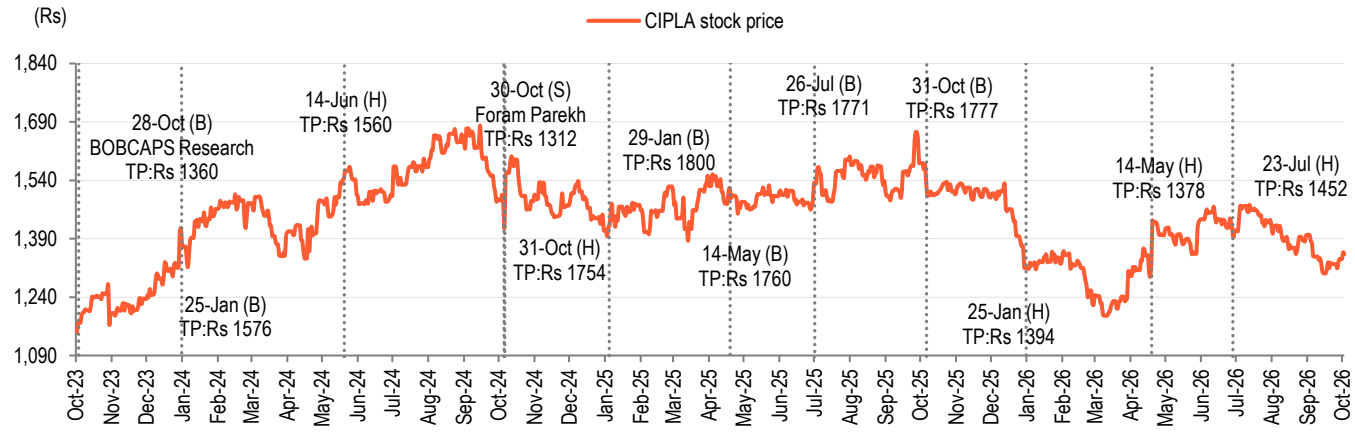
HOLD – Expected return from -6% to +15%

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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