

India

ADD (no change)

Consensus ratings*: Buy 25 Hold 7 Sell 8

Current price:	Rs1,488
Target price: ▲	Rs1,700
Previous target:	Rs1,680
Up/downside:	14.2%
InCred Research / Consensus:	3.8%
Reuters:	CIPL.NS
Bloomberg:	CIPLA IN
Market cap:	US\$13,909m
	Rs1,201,853m
Average daily turnover:	US\$28.5m
	Rs2464.6m
Current shares o/s:	807.0m
Free float:	66.5%

*Source: Bloomberg

Key changes in this note

- Lower FY26F EPS by ~1%.
- Increase the target price to Rs1,700 from Rs1,680.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(0.8)	(3.9)	(0.8)
Relative (%)	(0.1)	(7.4)	(3.4)

Major shareholders	% held
Promoters	33.5
SBI MF	4.7
HDFC MF	3.6

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Cipla Ltd**Decent performance amid tough times**

- Cipla's 1QFY26 results broadly in line, with a beat on the margin front. US biz performance was above estimate led by new launches. India biz was in line.
- Nilotinib 505(b)(2) and gAbraxane launched in 1QFY26. Lanreotide achieved normalization. New launches: gAdvair (2QFY26F) & gSymbicort (FY26F-end).
- We have cut our FY26F EPS by ~1%. Maintain ADD rating on the stock with a slightly higher target price of Rs1,700.

In-line 1QFY26 growth; beat on the margin front

Cipla's 1QFY26 growth was broadly in line with our/Bloomberg consensus estimates, with a margin beat of 190bp/110bp, respectively. The US revenue at US\$226m (above our estimate of US\$223m) grew by 2% QoQ due to new launches like Nilotinib 505(b)(2), gAbraxane and normalization in the Lanreotide franchise {505(b)(2) and generic}. Lanreotide sales have already reached last year's quarterly average and are now looking to grow the same way via faster market share gains. gAlbuterol's market share has improved QoQ, from 18% to 19.5%. One Africa saw a 11% YoY revenue growth in US dollar terms driven by new launches, and an uptick in key therapies and tender business. India business grew by 6% YoY, in line with our estimate. The business was impacted due to slow growth in respiratory and anti-infectives (30% higher exposure than the broader market) partially offset by trade generics and consumer healthcare. The gross margin improved by 130bp QoQ/YoY due to a favourable product mix while the EBITDA margin stood at 25.6% (above its annual guidance of 23.5-24.5%). For FY26F, Cipla has reiterated its guidance of 23.5-24.5% margin.

US business to stay resilient even in tough times

With gRevlimid expected to face significant competition following the settlement expiry in Jan 2026F, we expect the introduction of new products {Nilotinib 505(b)(2), gAbraxane, gAdvair, gSymbicort}, coupled with the ramp-up of existing products (Lanreotide franchise), to offset the impact and drive growth in the US business over FY26F-27F. While Nilotinib 505(b)(2) and gAbraxane have been already launched in 1Q, the gAdvair launch is expected to take place in 2QFY26F, along with two-three peptide launches in FY26F, and gSymbicort launch towards the end of the year. These launches are expected to drive the US business to reach US\$1bn revenue in FY27F.

Other conference-call highlights

1) India – next three quarters' growth to be in line with the industry growth. 2) Cipla to launch its first biosimilar in 2QFY26F, with a partner. 3) GLP-1: Cipla will not be in the first wave of launch in Canada; however, it will be in other markets.

Maintain ADD rating with a slightly higher target price of Rs1,700

Our FY26F EPS stands slightly lowered by 1%. We maintain our ADD rating on Cipla with a slightly higher target price of Rs1,700 (Rs1,680 earlier) due to valuation comfort and product visibility. Downside risk: Delay in the USFDA approval or launch timeline.

Financial Summary	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue (Rsm)	227,531	257,741	275,476	297,799	323,369
Operating EBITDA (Rsm)	50,270	62,910	71,279	71,834	77,195
Net Profit (Rsm)	28,019	41,343	52,725	49,603	52,374
Core EPS (Rs)	36.3	53.0	65.3	61.5	64.9
Core EPS Growth	12.3%	45.9%	23.3%	(5.9%)	5.6%
FD Core P/E (x)	40.98	28.08	22.77	24.21	22.93
DPS (Rs)	8.5	5.5	6.0	6.0	6.5
Dividend Yield	0.57%	0.37%	0.40%	0.40%	0.44%
EV/EBITDA (x)	23.67	18.17	15.65	15.33	13.43
P/FCFE (x)	22.59	17.38	14.41	33.57	8.83
Net Gearing	(3.6%)	(19.4%)	(25.6%)	(26.4%)	(39.2%)
P/BV (x)	5.13	4.50	3.85	3.37	2.97
ROE	13.2%	17.1%	18.2%	14.8%	13.8%
% Change In Core EPS Estimates				(0.89%)	(0.01%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Financial summary

(Rs m)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	Y-o-Y (%)	Q-o-Q (%)
Revenue	63,289	66,782	66,038	61,632	66,939	70,510	70,730	67,297	69,575	4%	3%
Consumption of raw materials	22,368	23,131	22,195	20,501	21,929	22,830	22,641	21,890	21,707	-1%	-1%
as % of sales	35.3%	34.6%	33.6%	33.3%	32.8%	32.4%	32.0%	32.5%	31.2%		
Employee costs	10,666	10,911	10,681	10,842	11,942	12,079	11,976	12,331	13,123	10%	6%
as % of sales	16.9%	16.3%	16.2%	17.6%	17.8%	17.1%	16.9%	18.3%	18.9%		
Other expenditure	15316	15402	11686	12690	12380	12895	12624	13440	12643	2%	-6%
as % of sales	24.2%	23.1%	17.7%	20.6%	18.5%	18.3%	17.8%	20.0%	18.2%		
EBITDA	14,939	17,338	17,475	13,159	17,158	18,856	19,889	15,376	17,781	4%	16%
Margins (%)	23.6%	26.0%	26.5%	21.4%	25.6%	26.7%	28.1%	22.8%	25.6%		
Depreciation	2,392	2,900	2,334	2,883	2,467	2,717	2,798	3,087	2,527		
Other income	1,363	1,763	1,846	2,493	1,602	1,906	2,216	2,895	2,586	61%	-11%
Interest	164	258	301	176	180	154	146	140	141		
PBT	13,746	15,942	16,686	12,593	16,114	17,891	19,161	15,043	17,699	10%	18%
Total tax	3,780	4,384	4,053	3,249	4,351	4,830	3,324	2,793	4,779		
Tax rate (%)	27.5%	27.5%	24.3%	25.8%	27.0%	27.0%	17.3%	18.6%	27.0%		
PAT before MI	9,966	11,558	12,633	9,344	11,763	13,060	15,837	12,250	12,921	10%	5%
Minority interest (MI)	-9	-249	1	46	14	-35	-132	-32	56		
Adj. PAT before extraordinary items	9,957	11,309	12,634	9,390	11,776	13,025	15,705	12,218	12,976	10%	6%
Extraordinary expenses	0	0	-1,948	0	0	0	0	0	0		
Reported PAT	9,957	11,309	10,686	9,390	11,776	13,025	15,705	12,218	12,976	10%	6%
No. of shares	807.2	807.3	807.6	807.6	808.0	808.0	808.0	808.0	807.8		
EPS	12.3	14.0	15.6	11.6	14.6	16.1	19.4	15.1	16.1		
Core EPS	11.1	12.4	13.9	9.3	13.1	14.4	17.2	12.2	13.7		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin profile

(Rs m)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	Y-o-Y (bp)	Q-o-Q (bp)
Margins (%)											
Gross	65%	65%	66%	67%	67%	68%	68%	67%	69%	156	133
EBITDA	24%	26%	26%	21%	26%	27%	28%	23%	26%	-7	271
Adj. PAT	16%	17%	19%	15%	18%	18%	22%	18%	19%	106	49
Effective tax rate	28%	27%	24%	26%	27%	27%	17%	19%	27%	0	843

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Revenue break-up

(Rs m)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	Y-o-Y (%)	Q-o-Q (%)
North America - INR	18,220	18,870	19,160	18,750	20,870	19,860	19,060	19,190	19,330	-7%	1%
% total revenue	28.8%	28.3%	29.3%	30.4%	31.2%	28.2%	26.9%	28.5%	27.8%		
Global access & rest of Africa	1,630	2,420	2,120	710	510	2,690	2,060	2,810	1,760	245%	-37%
% total revenue	2.6%	3.6%	3.2%	1.2%	0.8%	3.8%	2.9%	4.2%	2.5%		
South Africa	5,140	6,200	6,030	6,900	6,260	7,990	7,690	7,380	6,950	11%	-6%
% total revenue	8.1%	9.3%	9.2%	11.2%	9.4%	11.3%	10.9%	11.0%	10.0%		
India	27,720	28,170	28,590	24,170	28,980	29,480	31,460	26,220	30,700	6%	17%
% total revenue	43.8%	42.2%	43.7%	39.2%	43.3%	41.8%	44.5%	39.0%	44.1%		
EMs & Europe	7,790	7,340	7,460	8,270	8,490	8,060	8,240	8,950	8,610	1%	-4%
% total revenue	12.3%	11.0%	11.4%	13.4%	12.7%	11.4%	11.6%	13.3%	12.4%		
API	1,360	1,470	1,080	1,890	980	1,600	1,260	1,820	1,020	4%	-44%
% total revenue	2.1%	2.2%	1.7%	3.1%	1.5%	2.3%	1.8%	2.7%	1.5%		
Others	1,429	2,312	990	940	849	830	960	920	1,210	42%	32%
% total revenue	2.3%	3.5%	1.5%	1.5%	1.3%	1.2%	1.4%	1.4%	1.7%		
Total revenue	63,289	66,782	65,430	61,630	66,939	70,510	70,730	67,290	69,580	4%	3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Actuals versus Bloomberg estimates

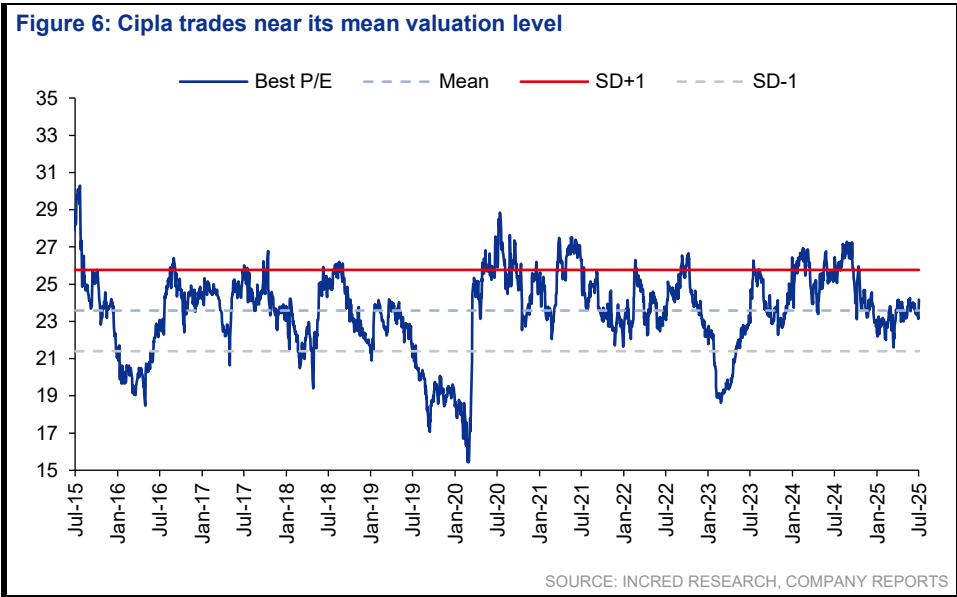
	Actuals	Incired Estimates	Change (%)	Bloomberg Estimates	Change (%)
Revenue (Rsm)	69,575	71,521	-0.0	70,570	-1.4
EBITDA (Rsm)	17,781	16,968	4.8	17,284	2.9
Margin (%)	25.6	23.7	183	24.5	
PAT (Rsm)	12,976	11,500	12.8	11,985	8.3

SOURCE: INCRED RESEARCH, COMPANY REPORTS

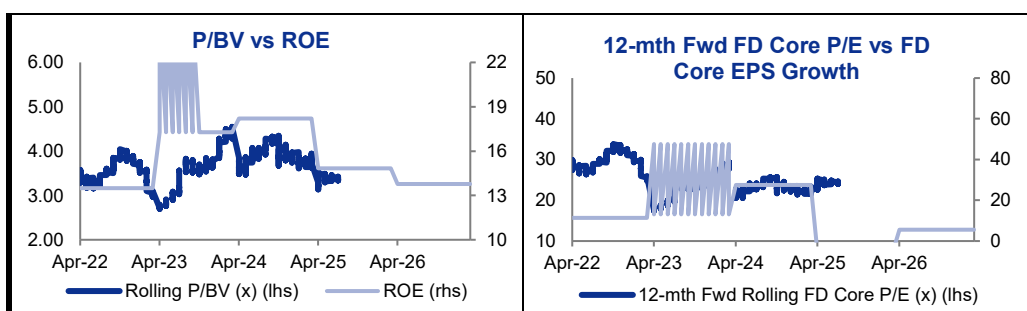
Figure 5: Our revised earnings estimates

	FY26F			FY27F		
	Old	New	Change (%)	Old	New	Change (%)
Revenue	3,00,874	2,97,799	-1.0	3,22,016	3,23,369	0.4
EBITDA	73,438	71,833	-2.2	77,200	77,195	-0.0
Margin (%)	24.4	24.1		24.0	23.9	
PAT	50,050	49,603	-0.9	52,378	52,374	-0.0
EPS	61.9	61.3	-0.9	64.7	64.7	-0.0

SOURCE: INCRED RESEARCH, COMPANY REPORTS



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Net Revenues	227,531	257,741	275,476	297,799	323,369
Gross Profit	145,008	169,545	186,186	199,715	216,536
Operating EBITDA	50,270	62,910	71,279	71,834	77,195
Depreciation And Amortisation	(11,721)	(10,510)	(11,070)	(12,500)	(13,700)
Operating EBIT	38,549	52,400	60,210	59,334	63,495
Financial Income/(Expense)	(1,095)	(899)	(620)	(600)	(550)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	4,755	7,466	8,619	8,500	8,000
Profit Before Tax (pre-EI)	42,208	58,967	68,208	67,234	70,945
Exceptional Items	(1,824)	(1,948)			
Pre-tax Profit	40,384	57,019	68,208	67,234	70,945
Taxation	(12,029)	(15,466)	(15,298)	(17,481)	(18,446)
Exceptional Income - post-tax					
Profit After Tax	28,355	41,553	52,911	49,753	52,499
Minority Interests	(336)	(211)	(185)	(150)	(125)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	28,019	41,343	52,725	49,603	52,374
Recurring Net Profit	29,300	42,762	52,725	49,603	52,374
Fully Diluted Recurring Net Profit	29,300	42,762	52,725	49,603	52,374

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
EBITDA	50,270	62,910	71,279	71,834	77,195
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(5,594)	(8,061)	(6,655)	(29,621)	15,355
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(12,299)	(13,510)	(14,575)	(17,631)	(18,571)
Net Interest (Paid)/Received	(1,095)	(899)	(620)	(600)	(550)
Tax Paid	(15,958)	(20,077)	(22,573)	(25,531)	(26,021)
Cashflow From Operations	32,377	41,339	50,050	24,582	73,979
Capex	(11,355)	(13,151)	(15,148)	(13,401)	(12,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(251)	(420)	(1,606)		
Other Investing Cashflow					
Cash Flow From Investing	20,770	27,768	33,296	11,181	61,979
Debt Raised/(repaid)					
Proceeds From Issue Of Shares	1		(403)		
Shares Repurchased					
Dividends Paid	(4,035)	(6,862)	(364)	(4,848)	(4,850)
Preferred Dividends					
Other Financing Cashflow	436	47,961	24,875	14,132	8,400
Cash Flow From Financing	(3,598)	41,100	24,109	9,284	3,550
Total Cash Generated	17,172	68,868	57,404	20,466	65,529
Free Cashflow To Equity	53,147	69,107	83,345	35,764	135,958
Free Cashflow To Firm	54,242	70,006	83,965	36,364	136,508

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Cash And Equivalents	15,722	56,822	80,931	101,396	166,926
Total Debtors	40,570	47,707	55,064	56,582	64,674
Inventories	51,564	52,380	56,421	86,362	61,440
Total Other Current Assets	64,893	37,506	40,470	44,670	51,739
Total Current Assets	172,750	194,414	232,885	289,009	344,778
Fixed Assets	57,398	60,469	65,863	66,764	65,064
Total Investments	5,725	6,422	6,395	6,395	6,395
Intangible Assets	45,140	47,130	49,864	49,864	49,864
Total Other Non-Current Assets	13,620	18,743	18,863	18,863	18,863
Total Non-current Assets	121,883	132,764	140,985	141,886	140,186
Short-term Debt	5,204	2,470	801	801	801
Current Portion of Long-Term Debt					
Total Creditors	24,571	24,740	28,375	30,809	31,994
Other Current Liabilities	21,323	25,248	25,664	29,268	33,678
Total Current Liabilities	51,097	52,458	54,840	60,878	66,472
Total Long-term Debt	2,088	2,254	120	6,352	7,302
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	4,313	4,443	6,019	6,019	6,019
Total Non-current Liabilities	6,401	6,697	6,138	12,370	13,321
Total Provisions					
Total Liabilities	57,497	59,155	60,978	73,248	79,793
Shareholders Equity	234,078	267,064	311,935	356,540	403,939
Minority Interests	3,058	959	958	1,108	1,233
Total Equity	237,135	268,023	312,893	357,648	405,172

Key Ratios

	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue Growth	4.5%	13.3%	6.9%	8.1%	8.6%
Operating EBITDA Growth	11.8%	25.1%	13.3%	0.8%	7.5%
Operating EBITDA Margin	22.1%	24.4%	25.9%	24.1%	23.9%
Net Cash Per Share (Rs)	10.45	64.56	99.14	116.78	196.81
BVPS (Rs)	290.06	330.93	386.54	441.81	500.54
Gross Interest Cover	35.19	58.30	97.10	98.89	115.44
Effective Tax Rate	29.8%	27.1%	22.4%	26.0%	26.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	60.01	62.51	68.08	68.42	68.43
Inventory Days	232.36	215.09	222.38	265.67	252.49
Accounts Payables Days	109.80	102.04	108.56	110.12	107.28
ROIC (%)	12.7%	18.3%	19.4%	16.9%	19.3%
ROCE (%)	16.5%	20.3%	20.5%	17.5%	16.3%
Return On Average Assets	11.0%	14.2%	15.2%	12.5%	11.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.