

25 January 2026

Revlimid sunset shows true color

Cipla (CIPLA IN) reported poor Q3FY26, with revenue, EBITDA and PAT missing our estimates by 4%, 32% and 27%, respectively (adjusted for one-off impact from new Labor Code). Contraction in EBITDA margin by 700-1,000bps QoQ and YoY suggests that the contribution from one-off *gRevlimid* had been significantly higher than what we and the street had estimated. Performance in all international businesses came in weak but was partly saved by a sharp depreciation in INR. The domestic business grew 10%, in line with expectations. With Lanreotide coming off further in Q4, we expect further weakness. We build in significant launches in FY27, in line with the guidance. If these launches pan out as guided, further downside to the stock may be limited (down 14% in six months), given the tailwinds from sharp INR depreciation. We lower our FY26E-28E estimates by 9-12%. **Retain Accumulate with a lower target price of INR 1,438.**

US business in trouble: Q3FY26 results suggest that the EBITDA contribution from *gRevlimid* was higher than street estimates – This presents a steeper cliff with the sunset of the opportunity. Additional pressure comes from supply disruption in Lanreotide, another key product. Recently launched *gAbraxane* has not ramped up much, belying large street expectations. *gAdvair* launch has been deferred and additional competition has set in. Experience with these products does not instill confidence in the management's guidance of large inhaler / peptide launches in FY27. We expect further drop in topline of the US business in FY27.

India business in line; Tirzepatide deal to help recovery: Organic growth in the India business at 9.9% YoY came in line with our estimates. Still, it is below its potential given the low base of last year and a strong respiratory season this year. We expect it to pick up in FY27, helped by the Tirzepatide deal with Eli Lilly, which in our assessment could add ~2ppt to CIPLA's domestic business growth.

Weakness across markets: The South African business was down 8% YoY in constant-currency, in our estimate. Other EMs and Europe businesses rose 13% YoY in INR terms, which is likely entirely driven by INR depreciation, with similar numbers in the API business. Global access and revenue from rest-of-Africa business (excluding South Africa) were flat YoY in constant currency.

Margin pressures evident: Q3 EBITDA margin at 17.7% came in way below the 20-21% levels that CIPLA generated before *gRevlimid*. Management guidance suggests that this is not a one-off and the core margin profile has deteriorated in the past four years.

Retain Accumulate; TP lowered to INR 1,438: We lowered our FY26E-28E estimates by 9-12%. CIPLA trades at 26.4x FY27E core P/E. So, we lower our TP from INR 1,670 to INR 1,438, which is 20x FY28E core P/E plus cash per share. The contribution from one-off products in FY28 explains the lower multiple. **We retain Accumulate.** Delay in launches and ramp-up in key products in the US are key risks.

Key Financials

YE March (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR mn)	257,741	275,476	286,220	313,113	355,569
YoY (%)	13.3	6.9	3.9	9.4	13.6
EBITDA (INR mn)	62,911	71,279	60,449	61,985	83,021
EBITDA margin (%)	24.4	25.9	21.1	19.8	23.3
Adj PAT (INR mn)	43,164	52,725	43,471	43,746	59,141
YoY (%)	47.1	27.9	(22.8)	7.5	35.2
Fully DEPS (INR)	53.4	65.2	53.8	54.1	73.1
RoE (%)	17.1	18.2	13.3	12.2	14.9
RoCE (%)	20.3	20.6	14.9	13.9	17.7
P/E (x)	24.6	20.1	24.4	24.3	18.0
EV/EBITDA (x)	15.7	13.8	16.3	15.9	11.9

Note: Pricing as on 23 January 2026; Source: Company, Elara Securities Estimate

Rating: **Accumulate**
Target Price: **INR 1,438**
Upside: **9%**
CMP: **INR 1,315**
As on 23 January 2026

Key data

Bloomberg	CIPLA IN
Reuters Code	CIPL.NS
Shares outstanding (mn)	808
Market cap (INR bn/USD mn)	1,062/11,551
EV (INR bn/USD mn)	985/10,707
ADTV 3M (INR mn/USD mn)	2,513/27
52 week high/low	1,673/1,303
Free float (%)	70

Note: as on 23 January 2026; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26
Promoter	29.1	29.1	29.2	29.2
% Pledge	0.0	0.0	0.0	0.0
FII	26.8	26.3	25.2	24.6
DII	27.7	28.2	29.2	30.3
Others	16.4	16.4	16.4	16.0

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(3.5)	0.9	9.7
Cipla	(17.0)	(11.6)	(6.6)
NSE Mid-cap	(4.3)	(0.9)	9.8
NSE Small-cap	(11.6)	(11.9)	(0.7)

Source: Bloomberg

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Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	257,741	275,476	286,220	313,113	355,569
Gross Profit	169,545	186,186	188,013	200,392	232,501
EBITDA	62,911	71,279	60,449	61,985	83,021
EBIT	52,400	60,210	49,018	49,949	70,770
Interest expense	899	620	543	170	187
Other income	7,466	8,619	9,339	9,339	9,339
Exceptional/ Extra-ordinary items	(1,948)	-	(2,759)	-	-
PBT	57,019	68,208	55,055	59,117	79,921
Tax	15,466	15,298	14,342	15,371	20,779
Minority interest/Associates income	(338)	(185)	(1)	(1)	(1)
Reported PAT	41,216	52,725	40,712	43,746	59,141
Adjusted PAT	43,164	52,725	43,471	43,746	59,141
Balance Sheet (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Shareholders' Equity	267,064	311,935	339,724	372,964	420,786
Minority Interest	959	958	959	960	961
Trade Payables	24,740	28,375	31,608	35,158	38,157
Provisions & Other Current Liabilities	25,248	25,664	27,093	30,135	32,706
Total Borrowings	2,470	921	1,703	1,870	2,109
Other long term liabilities	6,697	6,019	6,019	6,019	6,019
Total liabilities & equity	327,178	373,870	407,105	447,106	500,737
Net Fixed Assets	60,469	65,863	66,943	68,669	71,555
Goodwill	31,120	32,703	32,703	32,703	32,703
Intangible assets	16,010	17,161	29,341	29,341	29,341
Business Investments / other NC assets	25,654	25,259	25,259	25,259	25,259
Cash, Bank Balances & treasury investments	56,822	81,087	95,439	118,922	146,316
Inventories	52,380	56,421	57,244	62,623	71,114
Sundry Debtors	47,707	55,064	57,244	62,623	71,114
Other Current Assets	37,016	40,313	42,933	46,967	53,335
Total Assets	327,178	373,870	407,105	447,106	500,737
Cash Flow Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Cashflow from Operations	41,339	50,050	45,145	38,415	44,459
Capital expenditure	(10,641)	(11,373)	(12,510)	(13,761)	(15,138)
Acquisitions / divestitures	(1,805)	(2,051)	(12,180)	-	-
Other Business cashflow	(420)	(306)	-	-	-
Free Cash Flow	28,473	36,320	20,454	24,653	29,321
Cashflow from Financing	(18,272)	(12,055)	(6,103)	(1,170)	(1,927)
Net Change in Cash / treasury investments	10,202	24,265	14,352	23,484	27,394
Key assumptions & Ratios	FY24	FY25	FY26E	FY27E	FY28E
Dividend per share (INR)	13.0	16.0	13.0	14.0	15.0
Book value per share (INR)	330.5	386.0	420.1	461.0	519.9
RoCE (Pre-tax) (%)	20.3	20.6	14.9	13.9	17.7
ROIC (Pre-tax) (%)	25.4	27.0	20.4	19.8	26.5
ROE (%)	17.1	18.2	13.3	12.2	14.9
Asset Turnover (x)	4.4	4.4	4.3	4.6	5.1
Net Debt to Equity (x)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)
Net Debt to EBITDA (x)	(0.9)	(1.1)	(1.6)	(1.9)	(1.7)
Interest cover (x) (EBITDA/ int exp)	70.0	114.9	111.4	363.9	444.1
Total Working capital days (WC/rev)	216.5	244.8	252.3	275.1	295.9
Valuation	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	24.6	20.1	24.4	24.3	18.0
P/Sales (x)	4.1	3.9	3.7	3.4	3.0
EV/ EBITDA (x)	15.7	13.8	16.3	15.9	11.9
EV/ OCF (x)	23.8	19.7	21.8	25.6	22.1
FCF Yield	2.9	3.7	2.1	2.5	3.0
Price to BV (x)	4.0	3.4	3.1	2.9	2.5
Dividend yield (%)	1.0	1.2	1.0	1.1	1.1

Note: Pricing as on 23 January 2026; Source: Company, Elara Securities Estimate

Expect EBITDA margin to reach 21% in FY26E.

Exhibit 1: Quarterly results

YE March (INR mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Net sales	70,745	70,730	0.0	75,894	(6.8)
Gross profit	44,424	48,089	(7.6)	50,918	(12.8)
Gross margins (%)	62.8	68.0	(519.5)	67.1	(429.6)
EBITDA	12,551	19,889	(36.9)	18,948	(33.8)
EBITDA margins (%)	17.7	28.1	(1,037.9)	25.0	(722.5)
Other income	2,063	2,216	(6.9)	2,690	(23.3)
Interest	140	146	(4.2)	132	6.4
Depreciation	2,784	2,798	(0.5)	2,970	(6.3)
PBT	11,690	19,161	(39.0)	18,535	(36.9)
Tax	2,186	3,324	(34.2)	5,005	(56.3)
Tax rate (%)	18.7	17.3	134.9	27.0	(830.5)
PAT	9,505	15,837	(40.0)	13,531	(29.8)
Minority interest	12	(132)	(109.4)	(19)	(165.3)
PAT	9,517	15,705	(39.4)	13,512	(29.6)
Adjusted net income	9,517	15,705	(39.4)	13,512	(29.6)
NPM (%)	13.5	22.2	(875.2)	17.8	(435.1)

Source: Company, Elara Securities Research

Exhibit 2: Valuation based on core earnings

	FY24	FY25	FY26E	FY27E	FY28E
Core EPS (INR)	46.6	57.0	45.1	45.5	64.5
Core EPS growth (%)	42.4%	22.3%	-20.9%	1.0%	41.7%
Cash per share (INR)	70.3	100.3	118.0	147.0	180.8
Current core P/E (x)	26.2	21.4	27.1	26.8	18.9
Core ROIC (%)	26.4%	28.2%	21.1%	20.2%	27.6%

Source: Company, Elara Securities Estimate

Conference call highlights**Financial highlights**

- ▶ Revenue was driven by diversified product portfolio despite lower *gRevlimid* revenue.
- ▶ EBITDA margin declined in Q3, due to lower *gRevlimid* sales.
- ▶ Gross margin declined primarily due to a decline in *gRevlimid* and change in product mix.
- ▶ PAT includes a one-time impact of INR 2.76bn due to the new Labor Code.
- ▶ Effective tax rate for the quarter was 24.5%.
- ▶ R&D investments stood at INR 4.94bn, accounting for 7.0% of sales, up 37.4% YoY, driven by increased product filings and development initiatives.
- ▶ Net cash position was INR 102.29bn as on 9MFY26. Debt primarily includes lease liabilities.
- ▶ Re-inspection of the Indore facility is expected to happen soon.

North America

- ▶ Revenue from the US business grew in double-digits, excluding *gRevlimid* sales. A sequential decline of USD 67mn in revenue is largely due to significant portion of *gRevlimid* and some part of Lanreotide.
- ▶ Albuterol ranked no. 1 in the overall U.S. Albuterol MDI market, with a 22% market share.
- ▶ FY27 pipeline includes four major respiratory launches, including *gAdvair*. *gSymbicort* is expected to be launched by the end of FY27 or H1FY28.

- ▶ Lanreotide manufacturing has been temporarily paused following USFDA observations at CIPLA's partner Pharmathen's facility. Re-supply is expected in H1FY27.
- ▶ During the quarter, the business will launch gVictoza. It further expects to launch three more peptide assets in FY27.
- ▶ All the peptide products will be launched from the partner site, whereas the three respiratory products will be launched from the US facility and one from India.
- ▶ Two respiratory products have the potential to become a huge launch for the next six months and during that period, CIPLA will be the only player in the market.
- ▶ Three of the four respiratory assets are filed from US facilities.
- ▶ gAbraxane market share should be at mid-single digit due to high competition in the market.

India

- ▶ The in-licensing business currently contributes less than 10% of the India business.
- ▶ The branded prescription segment delivered double-digit growth of 10% YoY.
- ▶ Key therapies such as Respiratory, Urology, Cardiac, and Anti-diabetes grew in strong double-digits.
- ▶ Overall Chronic mix improved to 62.3% and *Foracort* ranked the no. 1 brand in IPM, as per IQVIA MAT Dec '25.
- ▶ The trade generics business reported strong growth, and the performance was supported by execution excellence in distribution, new introductions and technological interventions.
- ▶ During the quarter, CIPLA launched eight new products.
- ▶ Four brands were added in the category of '>INR 1bn revenue', taking the total to 13 brands in this category.
- ▶ CIPLA will exclusively market and distribute Pfizer's key brands (*Corex*, *Dolonex*, and *Neksium*, *Dalacin C*) in India.
- ▶ CIPLA acquired a 100% stake in Inzpera Healthsciences, adding a differentiated paediatric and wellness portfolio.
- ▶ The Consumer Health segment delivered robust growth with sustained EBITDA trajectory. This was driven by anchor & transitioned brands continuing to grow bigger.
- ▶ *Nicotex*, *Omnigel* and *Cipladine* ranked #1 in the market.

SAGA

- ▶ South Africa private market, secondary growth was at 6.3% versus market growth of 5.7%. The prescription business maintained its no. 2 position.
- ▶ The growth was lower for the quarter due to channel destocking, which is expected to normalize in the coming quarter.

Emerging markets and Europe

- ▶ The segment delivered a growth of 7% YoY in USD terms with an uptick in both DTM and B2B categories, along with sustained overall margins.
- ▶ The focus is on to deepen the penetration in core markets.

Guidance

- ▶ EBITDA margin has been guided at 21% in FY26.

Exhibit 3: Rolling P/E trading at a discount of 10% to its long-term average

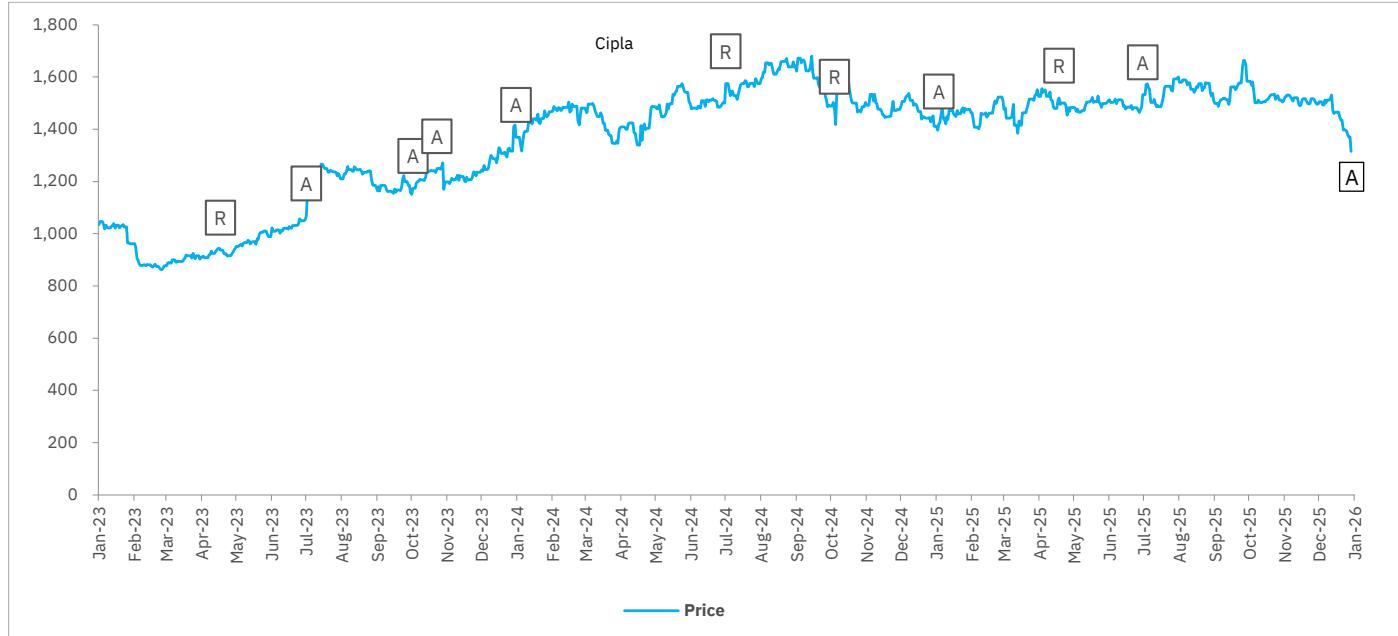
Source: Bloomberg, Company, Elara Securities Research

Exhibit 4: Change in estimates

(INR mn)	Old estimate			Revised estimate			% change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales	2,87,710	3,08,374	3,50,201	2,86,220	3,13,113	3,55,569	(0.5)	1.5	1.5
EBITDA	67,969	68,608	89,876	60,449	61,985	83,021	(11.1)	(9.7)	(7.6)
PAT	48,018	48,604	64,136	43,471	43,746	59,141	(9.5)	(10.0)	(7.8)
EPS (INR)	59.4	60.1	79.2	53.8	54.1	73.1	(9.5)	(10.0)	(7.8)
TP (INR)	1,670			1,438			(13.9)		

Source: Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
12-May-2023	Reduce	942	938
26-Jul-2023	Accumulate	1,191	1,069
27-Oct-2023	Accumulate	1,244	1,174
17-Nov-2023	Accumulate	1,349	1,249
25-Jan-2024	Accumulate	1,499	1,370
26-Jul-2024	Reduce	1,595	1,575
29-Oct-2024	Reduce	1,507	1,478
28-Jan-2025	Accumulate	1,572	1,421
13-May-2025	Reduce	1,465	1,520
25-Jul-2025	Accumulate	1,670	1,533
23-Jan-2026	Accumulate	1,438	1,315

Guide to Research Rating

BUY (B) Absolute Return >+20%

ACCUMULATE (A) Absolute Return +5% to +20%

REDUCE (R) Absolute Return -5% to +5%

SELL (S) Absolute Return < -5%

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