



India

ADD (no change)

Consensus ratings*: Buy 24 Hold 8 Sell 5

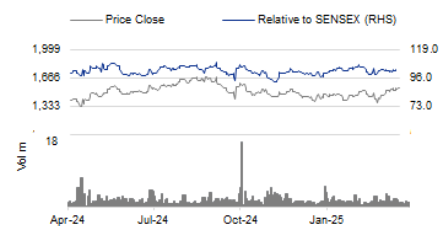
Current price:	Rs1,520
Target price: ▲	Rs1,680
Previous target:	Rs1,640
Up/downside:	10.5%
InCred Research / Consensus:	1.8%

Reuters:	CIPL.NS
Bloomberg:	CIPLA IN
Market cap:	US\$14,385m
	Rs1,227,694m
Average daily turnover:	US\$30.8m
	Rs2629.4m
Current shares o/s:	807.0m
Free float:	66.5%

*Source: Bloomberg

Key changes in this note

- Reduce FY26F EPS by 7%.
- Increase the target price to Rs1,680 from Rs1,640.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.9	3.3	7.5
Relative (%)	(3.8)	(3.4)	(3.2)

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

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Cipla Ltd**Margin challenges amid product visibility**

- 4QFY25 results were decent and in line with expectations. The US & India businesses surprised negatively.
- Lanreotide production to normalize and reach the levels touched earlier. gAbraxane & gAdvair to be launched in 1HFY26F and gSymbicort in FY27F.
- We have cut FY26F EPS by 7% due to lower margin guidance. Maintain ADD rating on the stock with a higher target price of Rs1,680.

Decent 4Q performance in line with our expectations

Cipla's 4QFY25 performance was in line with our/Bloomberg consensus estimates, with a PAT beat of +18%. US revenue at US\$221m (below our estimate of US\$230m) declined by 2% QoQ due to temporary supply challenges in the Lanreotide franchise {505(b)(2) and generic} in the initial two months. Lanreotide production to normalize from 1QFY26F and is expected to reach earlier peak levels with faster market share gains in its generic version. Cipla currently has a 18% market share in gAlbuterol vs. 21% QoQ. One Africa saw a 12% YoY revenue growth in constant currency or CC terms driven by new launches, OTC portfolio and an uptick in key therapies. India business grew by 8.5% YoY, but below our estimate of 13%, led by double-digit growth in consumer healthcare. The gross margin declined by 50bp QoQ while the EBITDA margin stood at 22.8%. For FY26F, Cipla gave guidance of 23.5-24.5% margin (140bp lower than in FY25) due to a change in the product mix stemming from lower gRevlimid sales in FY26F.

US business to stay resilient amid tough times

With gRevlimid expected to face significant competition following the settlement expiry in Jan 2026F, we expect the introduction of new products, coupled with the ramp-up of existing products, to offset the impact and drive growth in the US business in FY26F and FY27F. The US business should witness US\$220-230m revenue in 1QFY26F, with the Lanreotide franchise's supplies achieving normalcy. Following the approval to gAbraxane, it is likely to be launched in 1HFY26F. Further, the gAdvair launch is expected to take place in 2QFY26F while two-three peptide launches are also likely in FY26F. Lastly, gSymbicort is expected to be launched in FY27F.

Other conference-call highlights

1) With IPM growth expected to be 8-10% in FY26F, India business should continue to outperform IPM. 2) R&D spending in FY26F will not be higher than 6.5%. 3) Capex in FY26F will be 4-5%. 4) The Most Favoured Nation or MFN executive order in the US will be beneficial to generics as it affects only branded products.

Maintain ADD rating with a higher target price of Rs1,680

We introduce FY27F estimates and roll forward our valuation to the same. While our FY26F EPS stands reduced by 7% due to lower margin guidance, we continue to maintain our ADD rating on Cipla with a higher target price of Rs1,680 (Rs1,640 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	300,874	322,016
Operating EBITDA (Rsm)	50,270	62,910	71,279	73,438	77,200
Net Profit (Rsm)	28,019	41,343	52,725	50,050	52,378
Core EPS (Rs)	36.3	53.0	65.3	62.0	64.9
Core EPS Growth	12.3%	45.9%	23.3%	(5.1%)	4.7%
FD Core P/E (x)	41.87	28.69	23.27	24.51	23.42
DPS (Rs)	8.5	5.5	6.0	6.0	6.5
Dividend Yield	0.56%	0.36%	0.39%	0.39%	0.43%
EV/EBITDA (x)	24.18	18.58	16.01	15.36	13.75
P/FCFE (x)	23.08	17.75	14.72	34.42	8.73
Net Gearing	(3.6%)	(19.4%)	(25.6%)	(26.0%)	(39.4%)
P/BV (x)	5.24	4.59	3.93	3.44	3.03
ROE	13.2%	17.1%	18.2%	15.0%	13.8%
% Change In Core EPS Estimates				(6.56%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Financial summary

(Rs m)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Y-o-Y (%)	Q-o-Q (%)
Revenue	57,393	63,289	66,782	66,038	61,632	66,939	70,510	70,730	67,297	9%	-5%
Consumption of raw materials	20,634	22,368	23,131	22,195	20,501	21,929	22,830	22,641	21,890	7%	-3%
as % of sales	36.0%	35.3%	34.6%	33.6%	33.3%	32.8%	32.4%	32.0%	32.5%		
Employee costs	9,648	10,666	10,911	10,681	10,842	11,942	12,079	11,976	12,331	14%	3%
as % of sales	16.8%	16.9%	16.3%	16.2%	17.6%	17.8%	17.1%	16.9%	18.3%		
Other expenditure	15,374	15,316	15,402	11,686	12,690	12,380	12,895	12,624	13,440	6%	6%
as % of sales	26.8%	24.2%	23.1%	17.7%	20.6%	18.5%	18.3%	17.8%	20.0%		
EBITDA	11,737	14,939	17,338	17,475	13,159	17,158	18,856	19,889	15,376	17%	-23%
Margins (%)	20.5%	23.6%	26.0%	26.5%	21.4%	25.6%	26.7%	28.1%	22.8%		
Depreciation	3,462	2,392	2,900	2,334	2,883	2,467	2,717	2,798	3,087		
Other income	1,346	1,363	1,763	1,846	2,493	1,602	1,906	2,216	2,895	16%	31%
Interest	344	164	258	301	176	180	154	146	140		
PBT	9,278	13,746	15,942	16,686	12,593	16,114	17,891	19,161	15,043	19%	-21%
Total tax	2,223	3,780	4,384	4,053	3,249	4,351	4,830	3,324	2,793		
Tax rate (%)	24.0%	27.5%	27.5%	24.3%	25.8%	27.0%	27.0%	17.3%	18.6%		
PAT before MI	7,055	9,966	11,558	12,633	9,344	11,763	13,060	15,837	12,250	31%	-23%
Minority interest (MI)	25	-9	-249	1	46	14	-35	-132	-32		
Adj. PAT before extraordinary items	7,081	9,957	11,309	12,634	9,390	11,776	13,025	15,705	12,218	30%	-22%
Extraordinary expenses	-1,824	0	0	-1,948	0	0	0	0	0		
Reported PAT	5,257	9,957	11,309	10,686	9,390	11,776	13,025	15,705	12,218	30%	-22%
No. of shares	807.2	807.2	807.3	807.6	807.6	808.0	808.0	808.0	808.0		
EPS	8.8	12.3	14.0	15.6	11.6	14.6	16.1	19.4	15.1		
Core EPS	7.5	11.1	12.4	13.9	9.3	13.1	14.4	17.2	12.2		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin profile

(Rs m)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Y-o-Y (bp)	Q-o-Q (bp)
Margins (%)											
Gross	64%	65%	65%	66%	67%	67%	68%	68%	67%	74	-52
EBITDA	20%	24%	26%	26%	21%	26%	27%	28%	23%	150	-527
Adj. PAT	12%	16%	17%	19%	15%	18%	18%	22%	18%	292	-405
Effective tax rate	24%	28%	27%	24%	26%	27%	27%	17%	19%	-723	122

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Revenue break-up

(Rs m)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Y-o-Y (%)	Q-o-Q (%)
North America INR	16,770	18,220	18,870	19,160	18,750	20,870	19,860	19,060	19,190	2%	1%
% total revenue	29.2%	28.8%	28.3%	29.3%	30.4%	31.2%	28.2%	26.9%	28.5%		
Global access & rest of Africa	750	1,630	2,420	2,120	710	510	2,690	2,060	2,810	296%	36%
% total revenue	1.3%	2.6%	3.6%	3.2%	1.2%	0.8%	3.8%	2.9%	4.2%		
South Africa	6,180	5,140	6,200	6,030	6,900	6,260	7,990	7,690	7,380	7%	-4%
% total revenue	10.8%	8.1%	9.3%	9.2%	11.2%	9.4%	11.3%	10.9%	11.0%		
India	22,590	27,720	28,170	28,590	24,170	28,980	29,480	31,460	26,220	8%	-17%
% total revenue	39.4%	43.8%	42.2%	43.7%	39.2%	43.3%	41.8%	44.5%	39.0%		
EMs & Europe	7,840	7,790	7,340	7,460	8,270	8,490	8,060	8,240	8,950	8%	9%
% total revenue	13.7%	12.3%	11.0%	11.4%	13.4%	12.7%	11.4%	11.6%	13.3%		
API	1,340	1,360	1,470	1,080	1,890	980	1,600	1,260	1,820	-4%	44%
% total revenue	2.3%	2.1%	2.2%	1.7%	3.1%	1.5%	2.3%	1.8%	2.7%		
Others	1,923	1,429	2,312	990	940	849	830	960	920	-2%	-4%
% total revenue	3.4%	2.3%	3.5%	1.5%	1.5%	1.3%	1.2%	1.4%	1.4%		
Total Revenue	57,393	63,289	66,782	65,430	61,630	66,939	70,510	70,730	67,290	9%	-5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Actuals versus Bloomberg estimates

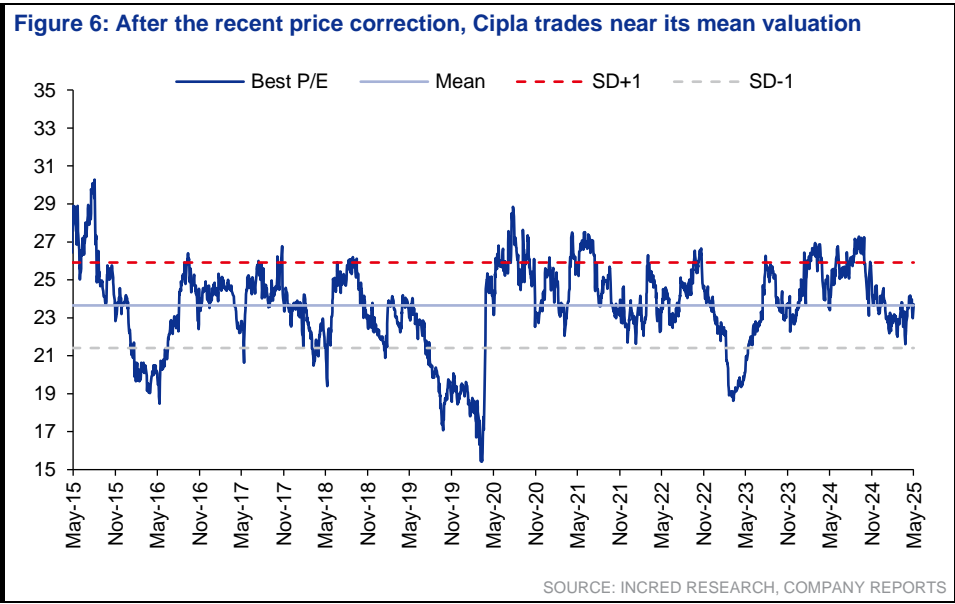
	Actuals	Incred Estimates	Change (%)	Bloomberg Estimates	Change (%)
Revenue (Rsm)	67,297	67,394	-0.0	67,106	0.3
EBITDA (Rsm)	15,376	15,258	0.8	15,611	-1.5
Margin (%)	22.8	22.6		23.3	
PAT (Rsm)	12,218	10,397	17.5	10,145	20.4

SOURCE: INCRED RESEARCH, COMPANY REPORTS

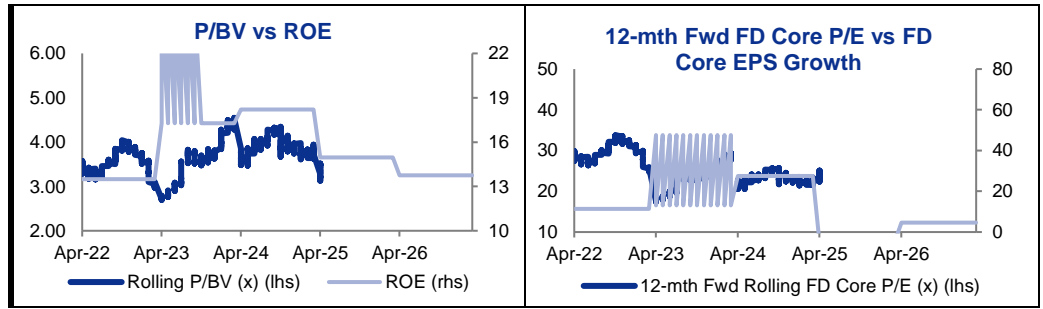
Figure 5: Our revised earnings estimates

	FY26F		
	Old	New	Change (%)
Revenue	3,02,093	3,00,874	-0.4
EBITDA	78,911	73,438	-6.9
Margin (%)	26.1	24.4	
PAT	53,563	50,050	-6.6
EPS	66.2	61.9	-6.6

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	300,874	322,016
Gross Profit	145,008	169,545	186,186	201,513	213,168
Operating EBITDA	50,270	62,910	71,279	73,438	77,200
Depreciation And Amortisation	(11,721)	(10,510)	(11,070)	(12,500)	(13,700)
Operating EBIT	38,549	52,400	60,210	60,938	63,500
Financial Income/(Expense)	(1,095)	(899)	(620)	(600)	(550)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	4,755	7,466	8,619	7,500	8,000
Profit Before Tax (pre-EI)	42,208	58,967	68,208	67,838	70,950
Exceptional Items	(1,824)	(1,948)			
Pre-tax Profit	40,384	57,019	68,208	67,838	70,950
Taxation	(12,029)	(15,466)	(15,298)	(17,638)	(18,447)
Exceptional Income - post-tax					
Profit After Tax	28,355	41,553	52,911	50,200	52,503
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	50,050	52,378
Recurring Net Profit	29,300	42,762	52,725	50,050	52,378
Fully Diluted Recurring Net Profit	29,300	42,762	52,725	50,050	52,378

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
EBITDA	50,270	62,910	71,279	73,438	77,200
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(5,594)	(8,061)	(6,655)	(31,060)	17,670
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(12,299)	(13,510)	(14,575)	(17,788)	(18,572)
Net Interest (Paid)/Received	(1,095)	(899)	(620)	(600)	(550)
Tax Paid	(15,958)	(20,077)	(22,573)	(24,688)	(26,022)
Cashflow From Operations	32,377	41,339	50,050	24,590	76,298
Capex	(11,355)	(13,151)	(15,148)	(13,539)	(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	11,051	64,298
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	13,141	8,401
Cash Flow From Financing	(3,598)	41,100	24,109	8,293	3,550
Total Cash Generated	17,172	68,868	57,404	19,344	67,848
Free Cashflow To Equity	53,147	69,107	83,345	35,641	140,595
Free Cashflow To Firm	54,242	70,006	83,965	36,241	141,145

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	100,275	168,123
Total Debtors	40,570	47,707	55,064	57,166	64,403
Inventories	51,564	52,380	56,421	87,254	61,183
Total Other Current Assets	64,893	37,506	40,470	45,131	51,523
Total Current Assets	172,750	194,414	232,885	289,825	345,232
Fixed Assets	57,398	60,469	65,863	66,902	65,202
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	142,025	140,325
Short-term Debt	5,204	2,470	801	801	801
Current Portion of Long-Term Debt					
Total Creditors	24,571	24,740	28,375	31,064	32,058
Other Current Liabilities	21,323	25,248	25,664	29,511	33,745
Total Current Liabilities	51,097	52,458	54,840	61,376	66,604
Total Long-term Debt	2,088	2,254	120	6,361	7,311
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	12,379	13,330
Total Provisions					
Total Liabilities	57,497	59,155	60,978	73,755	79,934
Shareholders Equity	234,078	267,064	311,935	356,987	404,389
Minority Interests	3,058	959	958	1,108	1,233
Total Equity	237,135	268,023	312,893	358,095	405,622

Key Ratios

	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue Growth	4.5%	13.3%	6.9%	9.2%	7.0%
Operating EBITDA Growth	11.8%	25.1%	13.3%	3.0%	5.1%
Operating EBITDA Margin	22.1%	24.4%	25.9%	24.4%	24.0%
Net Cash Per Share (Rs)	10.45	64.56	99.14	115.38	198.28
BVPS (Rs)	290.06	330.93	386.54	442.36	501.10
Gross Interest Cover	35.19	58.30	97.10	101.56	115.45
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	68.07	68.90
Inventory Days	232.36	215.09	222.38	263.89	248.87
Accounts Payables Days	109.80	102.04	108.56	109.17	105.83
ROIC (%)	12.7%	18.3%	19.4%	17.2%	19.4%
ROCE (%)	16.5%	20.3%	20.5%	17.9%	16.3%
Return On Average Assets	11.0%	14.2%	15.2%	12.6%	11.5%

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.