



Next-Gen Growth with GLP-1 & Respiratory Pipeline; Maintain BUY

Est. Vs. Actual for Q2FY26: Revenue – **BEAT**; Abs. EBITDA – **BEAT**; PAT – **BEAT**

Changes in Estimates post Q2FY26

FY26E/FY27E: Revenue: 0.2%/0.5%; EBITDA Abs: -1.4%/-2.6% PAT: -0.6%/-1.8%

Recommendation Rationale

- **Cipla US Sales Dip as gRevlimid Fades:** The company's US revenue for Q2FY26 stood at \$233 Mn, reflecting a 1.7% YoY decline impacted by gRevlimid but offset by Albutero and Lanreotide as their market shares have now risen to 22% and Cipla's first biosimilar Filgrastim entry into the US market. It expects virtually no contribution from gRevlimid in Q3FY26.
- **Strong Chronic, Trade Generics Boost One India 6.7% YoY:** One India's segment grew 6.7% YoY, largely driven by the robust performance of chronic products and strong double-digit growth in the Trade Generics business. Key chronic therapies like Dermatology, Anti-diabetes, and Cardiac grew at strong double-digit rates. Chronic products now contribute 61.8% of revenue, continuing to outperform the market, while the Acute segment remains affected by seasonal headwinds and the brief disruption from the GST rate transition. Cipla has now entered into obesity Market with a partnership with Eli Lilly for Tirzepatide (GLP-1) is exclusive to the Indian market.
- **Cipla Africa Up 5% YoY; SA Leads Growth:** The One Africa business grew 5% YoY in CC terms, driven by strong growth in South Africa (6%), where the private market outperformed the overall market by growing at a multiple of 6.2%. The next two quarters are critical for execution toward margin expansion in South Africa.

Sector Outlook: Positive

Outlook & Valuation: Cipla remains confident about its FY26 growth trajectory, focusing on accelerating execution and new product launches across key markets. In North America, the company aims to ramp up commercial performance through portfolio expansion, while in South Africa, the next two quarters are critical for margin improvement. In India (One India), **Cipla plans to strengthen its branded prescription and trade generics businesses, aided by new launches such as Yurpeak (Tirzepatide-GLP1).** The EMEU business will continue to drive penetration with stable margins. Cipla has revised its FY26 EBITDA margin guidance to 22.75–24% (from 23.5–24.5%) to reflect higher R&D investments, around 0.5% of revenue above plan. **The company targets US revenues of about \$1 Bn by FY27,** supported by key upcoming respiratory and peptide launches (including generic Advair in Q4 FY26) and the recent biosimilar Filgrastim. Management remains cautiously optimistic, balancing the phase-out of gRevlimid with growth from its differentiated portfolio. We have incorporated the GLP-1 opportunity, gRevlimid wind-down, and margin guidance into our model.

Current Valuation: PE 23x for H1FY28 earnings (Earlier Valuation: PE 23x FY27E)

Current TP: Rs 1,700/share (Earlier TP: Rs 1,700/share)

Recommendation: BUY

Financial Performance

Cipla's Q2FY26 results surpassed our expectations, with revenue rising 7.6% YoY to Rs 7,589 Cr. Growth was driven by a 6.7% increase in the India business, 5% growth in South Africa, and a strong 15% rise in EMEU markets, partially offset by a 1.7% YoY decline in North America, impacted by the ongoing gRevlimid erosion. The US performance was, however, supported by Albuterol and Lanreotide, both of which have now captured a 22% market share each. Additionally, Cipla marked its first biosimilar entry in the US with Filgrastim, strengthening its speciality portfolio.

Key Financials (Consolidated)

(Rs Cr)	Q2FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	7,589	9.1	7.6	7,237	4.9
EBITDA	1,895	6.6	0.5	1,764	7.4
EBITDA Margin	25.0%	-59	-178	24.4%	
Net Profit	1,353	4.8	3.7	1,250	8.2
EPS (Rs)	16.8	4.8	3.7	15.5	8.2

Source: Company, Axis Securities Research

(CMP as of 30th October, 2025)

CMP (Rs)	1,541
Upside /Downside (%)	10%
High/Low (Rs)	1,702/1,335
Market cap (Cr)	1,24,470
Avg. daily vol. (6m) Shrs.	15,00,000
No. of shares (Cr)	80.6

Shareholding (%)

	Mar-25	Jun-25	Sep-25
Promoter	29.2	29.2	29.2
FII's	26.3	25.2	24.5
MFs / UTI	20.5	20.4	20.2
Banks / FIIs	0.2	0.1	0.1
Others	23.8	25.0	25.9

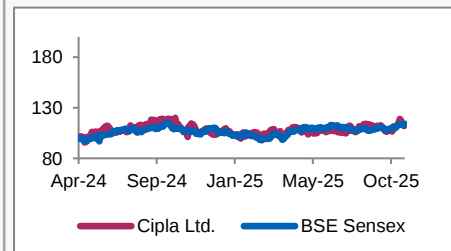
Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	27,548	30,087	32,646
EBITDA	7,128	7,432	8,129
Net Profit	5,269	5,367	5,863
EPS (Rs)	65.2	66.5	72.6
PER (x)	23.6	23.2	21.2
P/BV (x)	4.0	3.5	3.0
EV/EBITDA (x)	17.4	16.3	14.4
ROE (%)	13.3	12.8	12.8

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	0.2%	-0.5%
EBITDA	-1.4%	-2.6%
PAT	-0.6%	-1.8%

Relative Performance



Source: Ace Equity

Results Gallery

[Q1FY26](#)

[Q4FY25](#)

[Q3FY25](#)

[Q2FY25](#)

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Financial Performance (Cont'd)

Management guided for virtually no contribution from gRevlimid in Q3FY26, indicating a transition phase in US revenue composition. Gross margins declined 53 bps YoY and 170 bps QoQ, largely due to (1) price erosion in the US market, (2) a higher mix of lower-margin Africa tender business, and (3) increased R&D material expenses. EBITDA margin stood at 25.0%, down 178 bps YoY and 59 bps QoQ, reflecting these cost pressures. Reported PAT came in at Rs 1,353 Cr, up 3.7% YoY and 4.8% QoQ, ahead of our estimate.

Company Outlook & Recommendation

Outlook: We expect Cipla to deliver stable growth across key markets. In North America, new launches like gAbraxane and the recently launched Filgrastim (Cipla's first US biosimilar) are likely to support performance. Existing products such as gAlbuterol are scaling up well, with Cipla having supplied over 50 Mn inhaler units since launch. Lanreotide has reached a 22% market share and is gradually progressing toward its target. The contribution from gRevlimid is now expected to be virtually nil to very marginal in Q3FY26, as its role is offset by the pipeline ramp-up.

Cipla's upcoming US pipeline remains strong, with key launches lined up for H2FY26, including generic Advair in Q4FY26 and generic Symbicort in FY27 (as part of multiple respiratory and inhalation products). The company is strategically positioned with its first US biosimilar launch and is investing in its long-term pipeline, targeting assets like complex generics and peptides.

Recommendation: In the Indian market, growth is expected to stay in line with the pharma industry average of around 8% to 9%. This is supported by the strategic entry into obesity care with the launch of Yurpeak (Tirzepatide). The South African business continues to perform well, driven by strong demand in the private and OTC segments, though the next two quarters are critical for execution towards margin expansion. We remain positive on the stock with a **BUY** rating and arrive at a TP of Rs 1,700/share.

Key Risks to Our Estimates and TP

- The USFDA inspection and issuing of WL/OAI or 483 observations may impact the revenue growth.
- Entry of new players may increase pricing pressure in the injectable portfolio.
- Delay in launching Biosimilars in the market.

Change in Estimates

(Rs Cr)	New		Old		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	30,087	32,646	30,022	32,804	0.2%	-0.5%
EBITDA	7,432	8,129	7,535	8,349	-1.4%	-2.6%
PAT	5,367	5,863	5,398	5,971	-0.6%	-1.8%

Source: Company, Axis Securities Research

Results Review

Particulars (Rs Cr)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%)	QoQ (%)
Net Sales	7051	7073	6730	6957	7589	7.6	9.1
Growth (%)	5.6%	7.1%	9.2%	3.9%	7.6%		
Total Expenditure	5165	5084	5192	5179	5695	10.3	10.0
Gross Profit	4768	4809	4541	4787	5092	6.8	6.4
% of sales	32.4%	32.0%	32.5%	31.2%	32.9%		
Gross margins (%)	67.6%	68.0%	67.5%	68.8%	67.1%	-53	-171
Employee Expenses	1208	1198	1233	1312	1315	8.9	0.2
% of sales	17.1%	16.9%	18.3%	18.9%	17.3%		
Other Expenses	1675	1622	1770	1696	1882	12.4	11.0
% of sales	23.7%	22.9%	26.3%	24.4%	24.8%		
EBITDA	1886	1989	1538	1778	1895	0.5	6.6
EBITDAM (%)	26.7%	28.1%	22.8%	25.6%	25.0%	-178	-59
Interest	15	15	14	14	13	0.0	0.0
Depreciation	272	280	309	253	297		
Other Income	191	222	289	259	269	0.0	0.0
Exceptional Items	0	0	0	0	0		
PBT	1789	1916	1504	1770	1854	3.6	4.7
Tax	483	332	279	478	500		
Tax (%)	27.0%	17.3%	18.6%	27.0%	27.0%	0	0
Reported PAT	1306	1584	1225	1292	1353		
P/L Associate	-1	-9	-11	0	0		
PAT	1305	1575	1214	1292	1353	3.7	4.8

Source: Company, Axis Securities Research

Geographical Breakup

Particulars (Rs Cr)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%)	QoQ (%)
Exchange Rate \$/Rs	83.8	84.3	86.8	86.2	87.9	4.9	2.0
US Business (USD Mn)	237	226	221	226	233	-1.7	3.1
India (Rx + Gx + CHL)	2,948	3,146	2,622	3,070	3,146	7%	2.5%
North America	1,986	1,906	1,919	1,948	2,049	3%	5.2%
SAGA	1,068	975	1,019	904	1,214	14%	34.3%
South Africa	799	769	738	695	847	6%	21.9%
International Markets	806	824	895	835	911	13%	9.1%
API	160	126	182	70	152	-5%	118.2%
Others	82	96	92	139	76	-7%	-45.5%

Source: Company, Axis Securities Research

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY25A	FY26E	FY27E	FY28E
Total Net Sales	27,548	30,087	32,646	35,120
Growth (%)	6.9%	9.2%	8.5%	7.6%
Total Expenditure	20,420	22,656	24,517	26,340
Raw Material Consumed	8,929	9,899	10,708	11,519
Gross margins %	67.4%	67.1%	67.2%	67.2%
Employee Expenses	4,833	5,265	5,713	6,111
% of sales	17.4%	17.5%	17.5%	17.4%
Other Expenses	6,658	7,492	8,096	8,710
% of sales	24.4%	24.9%	24.8%	24.8%
EBIDTA	7,128	7,432	8,129	8,780
EBITDAM (%)	25.9%	24.7%	24.9%	25.0%
Interest	7,128	7,432	8,129	8,780
EBIT	6,021	6,282	6,897	7,476
EBITM (%)	21.9%	20.9%	21.1%	21.3%
Depreciation	1,107	1,150	1,232	1,304
Other Income	862	922	962	1,002
Associates Share(net)	-22	0	0	0
Exceptional items, net	0	0	0	0
PBT	6,821	7,148	7,806	8,428
Tax Rate (%)	25.0%	25.0%	25.0%	25.0%
Tax	1,530	1,787	1,950	2,106
Reported PAT	5,269	5,367	5,863	6,330

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY25A	FY26E	FY27E	FY28E
Total assets	37,295	41,872	46,927	52,449
Net Block	4,814	4,564	4,132	3,528
CWIP	1,213	1,213	1,213	1,213
Investments	7,792	7,792	7,792	7,792
Working. cap. (excl. cash)	17,005	18,658	20,182	21,657
Cash / Bank balance	708	3,800	7,787	12,462
Misc. Assets	0	0	0	0
Capital employed	37,295	41,872	46,927	52,449
Equity capital	162	162	162	162
Reserves	31,128	35,808	40,985	46,629
Pref. Share Capital	0	0	0	0
Minority Interests	0	0	0	0
Borrowings	541	512	483	454
Def Tax Liabilities	54	54	54	54

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY25A	FY26E	FY27E	FY28E
PBT	6,821	7,148	7,806	8,428
Add: Depreciation	1,107	1,150	1,232	1,304
Add: Interest	62	56	53	50
Cash flow from operations	7,990	8,353	9,091	9,782
Change in working capital	1,058	1,810	1,593	1,543
Taxes	1,530	1,787	1,950	2,106
Miscellaneous expenses	22	-6	-8	-8
Net cash from operations	5,380	4,763	5,555	6,141
Capital expenditure	-1,930	-900	-800	-700
Change in Investments	-2,473	0	0	0
Net cash from investing	-4,403	-900	-800	-700
Increase/Decrease in debt	-87	-29	-29	-29
Dividends	-686	-686	-686	-686
Proceedings from equity	0	0	0	0
Interest	-62	-56	-53	-50
Others	-309	0	0	0
Net cash from financing	-1,144	-771	-768	-765
Net Inc./(Dec.) in Cash	-167	3,092	3,987	4,676
Opening cash balance	875	708	3,800	7,787
Closing cash balance	708	3,800	7,787	12,462

Source: Company, Axis Securities Research

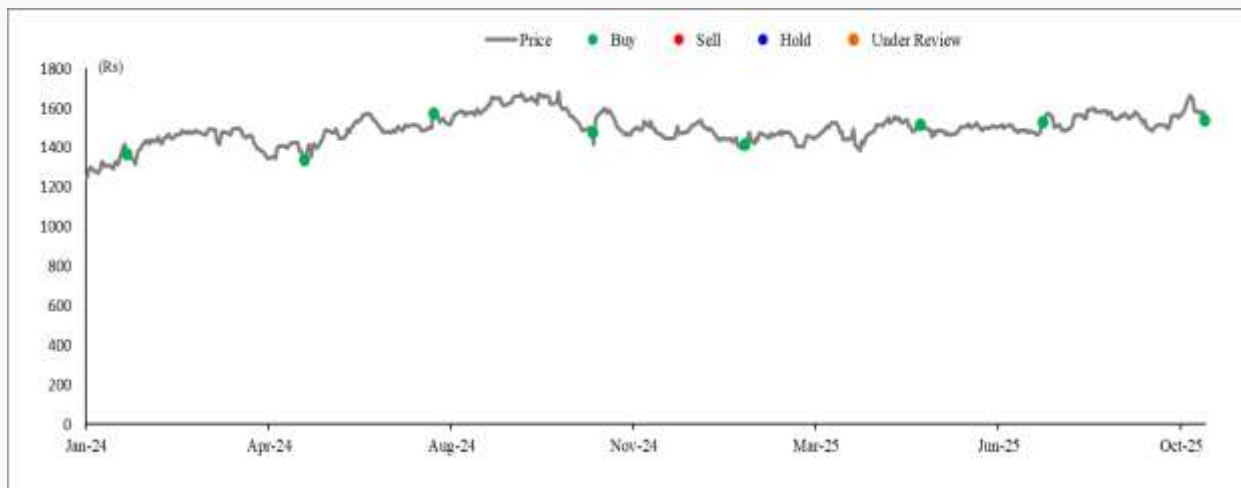
Ratio Analysis

(%)

Y/E March	FY25A	FY26E	FY27E	FY28E
Sales growth	6.9	9.2	8.5	7.6
OPM	25.9	24.7	24.9	25.0
Oper. profit growth	13.3	4.3	9.4	8.0
COGS / Net sales	32.6	32.9	32.8	32.8
Overheads/Net sales	0.0	0.0	0.0	0.0
Depreciation / G. block	10.8	10.3	10.3	10.3
Effective interest rate	25.0	25.0	25.0	25.0
Net WC / Net sales	0.0	0.0	0.0	0.0
Net sales / Gr block (x)	2.7	2.7	2.7	2.8
RoCE	19.0	17.3	16.6	15.9
Debt/equity (x)	0.0	0.0	0.0	0.0
Effective tax rate	25.0	25.0	25.0	25.0
RoE	16.8	14.9	14.2	13.5
Payout ratio (%)	424.8	424.8	424.8	424.8
EPS (Rs)	65.2	66.5	72.6	78.4
EPS Growth	26.8	1.8	9.3	8.0
CEPS (Rs)	79.0	80.7	87.9	94.5
DPS (Rs)	8.5	8.5	8.5	8.5

Source: Company, Axis Securities Research

Cipla Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
29-Jan-24	BUY	1,515	Result Update
13-May-24	BUY	1,515	Result Update
29-Jul-24	BUY	1,800	Result Update
30-Oct-24	BUY	1,700	Result Update
29-Jan-25	BUY	1,700	Result Update
14-May-25	BUY	1,700	Result Update
28-Jul-25	BUY	1,700	Result Update
31-Oct-25	BUY	1,700	Result Update

Source: Axis Securities Research

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