


Near-Term US Challenges; Medium-Term Valuation Cushion
Est. Vs. Actual for Q3FY26: Revenue – INLINE; Abs. EBITDA – MISS; PAT – MISS
Changes in Estimates post Q3FY26
FY27E/FY28E: Revenue: -3.3%/5.4%; EBITDA Abs: -17.3%/-7.3% PAT: -18.5%/-9%
Recommendation Rationale

- **US Revenue Transition:** Q3FY26 US sales fell 26% YoY to \$167 Mn, impacted by gRevlimid erosion and temporary Lanreotide supply disruption. These factors also weighed on gross margins, which declined by ~520 bps YoY. While the US portfolio is in transition, recovery is expected as Lanreotide supply normalises in H2FY27E and upcoming respiratory and peptide launches over the next 0–6 months.
- **Strong One India Growth:** The One India business grew 10% YoY, in line with IPM growth (~12%), driven by chronic therapies (Respiratory, Anti-diabetes, Cardiac) and Trade Generics. Chronic therapies now contribute ~62% of revenues, providing a stable growth base.
- **Emerging Markets Stability:** International business grew steadily, with EM/EU up 13% YoY and API business up 15% YoY. South Africa/One Africa grew modestly (3% YoY) due to channel destocking, expected to normalise in Q4FY26.
- **Profitability Under Pressure:** Cipla's gross margin and EBITDA margin contracted by ~520 bps and ~1,040 bps YoY, respectively. The key drag was the decline in gRevlimid, with additional impact from Lanreotide disruption and higher R&D spending. We expect margin pressure to persist in the short to medium term, given the gRevlimid fade, Lanreotide disruption, and competition in upcoming gAdvair launches.

Sector Outlook: Positive

Outlook & Valuation: Management highlighted that the near-term US business remains challenging due to gRevlimid normalisation and a temporary supply disruption in Lanreotide, a key product whose recovery is expected post-remediation. The respiratory franchise, led by Albuterol and the upcoming generic Advair, remains a strategic focus amid rising competition. Additionally, four peptide launches over the next 0–6 months are expected to gradually support revenue growth and margin recovery, though profitability will not match high-margin products like gRevlimid.

In India, sustained growth is expected from chronic therapies and Trade Generics, while One Africa should normalise in Q4 following recent channel destocking. Management continues a wait-and-watch approach on the Semaglutide opportunity. Near-term margins are likely to remain under pressure due to an adverse product mix and elevated R&D spend, with medium-term improvement anticipated as new launches scale. We have incorporated the Lanreotide disruption and margin guidance into our model, lowering EPS estimates by 18%/9% for FY27E/FY28E, reflecting a conservative stance.

Current Valuation: PE 22.5x for FY28E Earnings (Earlier Valuation: PE 23x H1FY28E)
Current TP: Rs 1,480/share (Earlier TP: Rs 1,700/share)
Recommendation: BUY
Financial Performance

Cipla's Q3FY26 results were below our expectations, with revenue flat YoY at Rs 7,074 Cr. Growth was weighed down by ongoing gRevlimid erosion and the Lanreotide supply issue in North America, while India and international markets supported growth with 10% and 13% YoY, respectively. South Africa saw modest growth due to channel destocking.

Key Financials (Consolidated)

(Rs Cr)	Q3FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	7,074	-6.8	0.0	7,332	-3.5
EBITDA	1,255	-33.8	-36.9	1,595	-21.3
EBITDA Margin	17.7%	-722	-1038	21.8%	
Adj Net Profit	950	-29.8	-39.7	1,100	-13.6
EPS (Rs)	11.8	-29.8	-39.7	13.6	-13.6

Source: Company, Axis Securities Research

 (CMP as of 23rd January, 2026)

CMP (Rs)	1,315
Upside /Downside (%)	13%
High/Low (Rs)	1,673/1,303
Market cap (Cr)	1,06,200
Avg. daily vol. (6m) Shrs.	15,00,000
No. of shares (Cr)	80.6

Shareholding (%)

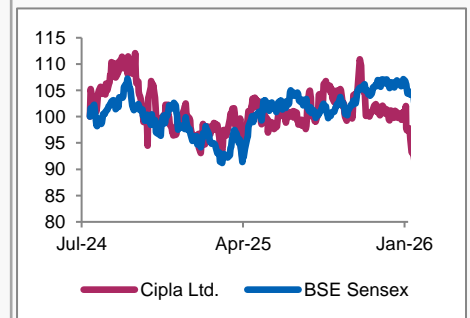
	Jun-25	Sep-25	Dec-25
Promoter	29.2	29.2	29.2
FIs	25.2	24.5	23.9
MFs / UTI	20.4	20.2	19.2
Banks / FIs	0.1	0.1	0.1
Others	25.0	25.9	27.6

Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	27,548	29,808	31,557
EBITDA	7,128	6,409	6,722
Net Profit	5,269	4,393	4,778
EPS (Rs)	65.2	54.4	59.2
PER (x)	20.2	24.2	22.2
P/BV (x)	3.4	3.0	2.7
EV/EBITDA (x)	14.9	16.2	14.9
ROE (%)	13.3	12.8	12.8

Change in Estimates (%)

Y/E Mar	FY27E	FY28E
Sales	-3.3%	5.4%
EBITDA	-17.3%	-7.3%
PAT	-18.5%	-9.0%

Relative Performance


Source: Ace Equity

Results Gallery
[Q2FY26](#)
[Q1FY26](#)
[Q4FY25](#)
[Q3FY25](#)
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Financial Performance (Cont'd)

Management indicated that gRevlimid will contribute minimally going forward, marking a transition phase in Cipla's US revenue mix. Gross margins contracted 520 bps YoY and 430 bps QoQ, primarily due to gRevlimid erosion, the Lanreotide supply disruption, and higher R&D and material costs. EBITDA margin stood at 17.7%, down 1,040 bps YoY and 720 bps QoQ, reflecting these pressures. Reported PAT was Rs 674 Cr, down 57% YoY and 50% QoQ, impacted by operating leverage and a one-time exceptional expense of Rs 276 Cr related to new labour code provisions.

Company Outlook & Recommendation

Outlook

Cipla faces near-term headwinds in the US due to erosion in gRevlimid revenue and a temporary Lanreotide supply disruption, which is expected to normalise by Post H1FY27. The US portfolio is currently in a transition phase, with recovery hinging on the resumption of Lanreotide supplies and the ramp-up of upcoming respiratory and peptide launches, including generic Advair, Dulera, Symbicort, Redihaler, and other peptides over the next 0–6 months. In India, chronic therapies and Trade Generics are expected to sustain steady double-digit growth, while One Africa should normalise in Q4 following recent channel destocking, supporting stability in international revenues. Management continues a wait-and-watch approach on generic Semaglutide, focusing instead on pipeline assets such as tirzepatide (Yurpeak). Near-term margins are likely to remain under pressure due to product mix shifts, elevated R&D spending, and one-off labour code costs. Still, they are expected to improve over the medium term as high-value launches scale and operating leverage returns.

Recommendation

We maintain a **BUY** rating on Cipla, supported by valuation comfort and a resilient business model. Upcoming respiratory and peptide launches provide medium-term revenue visibility and margin support. Considering these factors, we arrive at a target price of Rs 1,480/share, implying a 13% upside from the CMP.

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	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Sales	31,557	34,409	32,646	32,646	-3.3%	5.4%
EBITDA	6,722	7,536	8,129	8,129	-17.3%	-7.3%
PAT	4,778	5,336	5,863	5,863	-18.5%	-9.0%

Source: Company, Axis Securities Research

Results Review
(Rs Cr)

Particulars (Rs Cr)	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
Net Sales	7073	6730	6957	7589	7074	0.0	-6.8
Growth (%)	7.1%	9.2%	3.9%	7.6%	0.0%		
Total Expenditure	5084	5192	5179	5695	5819	14.5	2.2
Gross Profit	4809	4541	4787	5092	4442	-7.6	-12.8
% of sales	32.0%	32.5%	31.2%	32.9%	37.2%		
Gross margins (%)	68.0%	67.5%	68.8%	67.1%	62.8%	-519	-430
Employee Expenses	1198	1233	1312	1315	1325	10.6	0.8
% of sales	16.9%	18.3%	18.9%	17.3%	18.7%		
Other Expenses	1622	1770	1696	1882	1862	14.8	-1.1
% of sales	22.9%	26.3%	24.4%	24.8%	26.3%		
EBITDA	1989	1538	1778	1895	1255	-36.9	-33.8
EBITDAM (%)	28.1%	22.8%	25.6%	25.0%	17.7%	-1038	-722
Interest	15	14	14	13	14	0.0	0.0
Depreciation	280	309	253	297	278		
Other Income	222	289	259	269	206	0.0	0.0
Exceptional Items	0	0	0	0	-276		
PBT	1916	1504	1770	1854	893	-53.4	-51.8
Tax	332	279	478	500	219		
Tax (%)	17.3%	18.6%	27.0%	27.0%	24.5%	0	0
Reported PAT	1584	1225	1292	1353	675		
P/L Associate	-9	-11	0	0	0		
PAT	1575	1214	1292	1353	674	-57.2	-50.2
Adj. EBITDA	1989	1538	1778	1895	1255	-36.9	-33.8
Adj. PAT	1575	1214	1292	1353	950	-39.7	-29.8

Source: Company, Axis Securities Research

Geographical Breakup
(Rs Cr)

Particulars (Rs Cr)	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
Exchange Rate \$/Rs	84.3	86.8	86.2	87.9	88.9	5%	1%
US Business (USD Mn)	226	221	226	233	167	-26%	-28%
India (Rx + Gx + CHL)	3,146	2,622	3,070	3,146	3,457	10%	10%
North America	1,906	1,919	1,948	2,049	1,485	-22%	-28%
SAGA	975	1,019	904	1,214	1,001	3%	-18%
South Africa	769	738	695	847	784	2%	-7%
International Markets	824	895	835	911	929	13%	2%
API	126	182	70	152	144	14%	-5%
Others	96	92	139	76	59	-39%	-22%

Source: Company, Axis Securities Research

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
Total Net Sales	27,548	29,808	31,557	34,409
Growth (%)	6.9%	8.2%	5.9%	9.0%
Total Expenditure	20,420	23,399	24,836	26,873
Raw Material Consumed	8,929	10,433	11,045	12,043
Gross margins %	67.4%	65.0%	65.0%	65.0%
Employee Expenses	4,833	5,365	5,617	6,056
% of sales	17.4%	18.0%	17.8%	17.6%
Other Expenses	6,658	7,601	8,173	8,774
% of sales	24.4%	25.5%	25.9%	25.5%
EBIDTA	7,128	6,409	6,722	7,536
EBITDAM (%)	25.9%	21.5%	21.3%	21.9%
Interest	7,128	6,409	6,722	7,536
EBIT	6,021	5,259	5,490	6,231
EBITM (%)	21.9%	17.6%	17.4%	18.1%
Depreciation	1,107	1,150	1,232	1,304
Other Income	862	922	922	922
Associates Share(net)	-22	0	0	0
Exceptional items, net	0	-276	0	0
PBT	6,821	5,849	6,358	7,103
Tax Rate (%)	25.0%	25.0%	25.0%	25.0%
Tax	1,530	1,462	1,589	1,775
Reported PAT	5,269	4,393	4,778	5,336

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
Total assets	37,295	40,897	44,865	49,394
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	18,503	19,576	21,262
Cash / Bank balance	708	2,988	6,363	9,825
Misc. Assets	0	0	0	0
Capital employed	37,295	40,897	44,865	49,394
Equity capital	162	162	162	162
Reserves	31,128	34,834	38,926	43,576
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	FY25	FY26E	FY27E	FY28E
PBT	6,821	5,849	6,358	7,103
Add: Depreciation	1,107	1,150	1,232	1,304
Add: Interest	62	56	53	50
Cash flow from operations	7,990	7,055	7,644	8,457
Change in working capital	1,058	1,647	1,120	1,764
Taxes	1,530	1,462	1,589	1,775
Miscellaneous expenses	22	-6	-8	-8
Net cash from operations	5,380	3,952	4,943	4,927
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	2,280	3,374	3,462
Opening cash balance	875	708	2,988	6,363
Closing cash balance	708	2,988	6,363	9,825

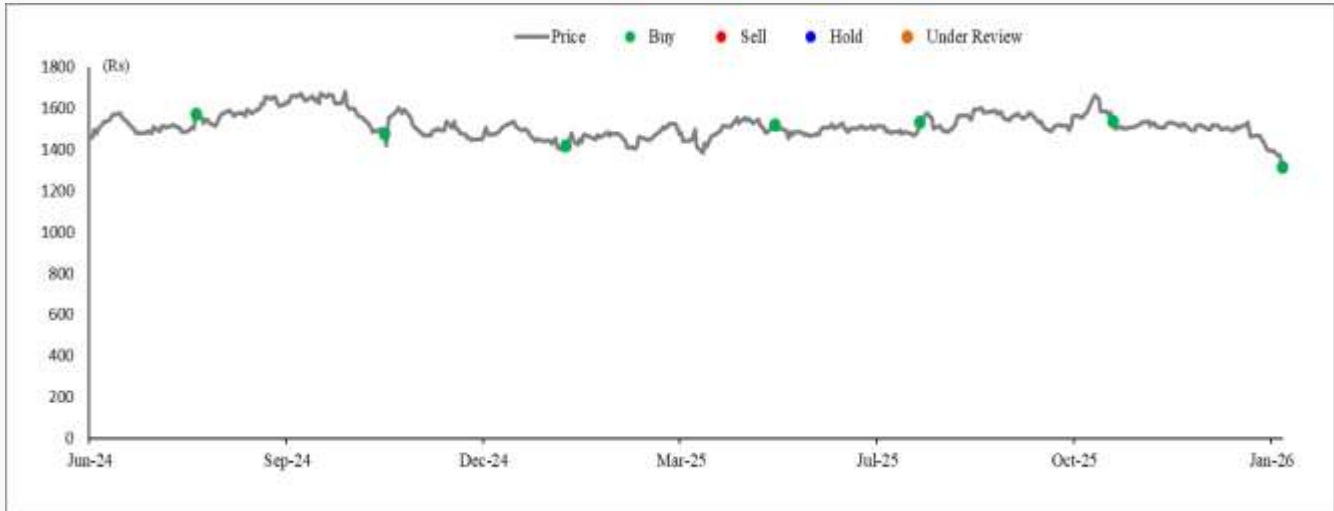
Source: Company, Axis Securities Research

Ratio Analysis
(%)

Y/E March	FY25A	FY26E	FY27E	FY28E
Sales growth	13.3	6.9	8.2	5.9
OPM	24.4	25.9	21.5	21.3
Oper. profit growth	25.1	13.3	(10.1)	4.9
COGS / Net sales	34.2	32.6	35.0	35.0
Overheads/Net sales	0.0	0.0	0.0	0.0
Depreciation / G. block	11.1	10.8	10.3	10.3
Effective interest rate	27.1	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	2.6
RoCE	19.3	19.0	14.9	13.9
Debt/equity (x)	0.0	0.0	0.0	0.0
Effective tax rate	27.1	25.0	25.0	25.0
RoE	15.5	16.8	12.6	12.2
Payout ratio (%)	424.9	424.8	424.8	424.8
EPS (Rs)	51.5	65.2	54.4	59.2
EPS Growth	46.6	26.8	-16.6	8.8
CEPS (Rs)	64.5	79.0	68.6	74.4
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
27-Jan-26	BUY	1,480	Result Update

Source: Axis Securities Research

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BUY	More than 10%
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