

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	1,541
12 month price target (INR)	1,715
52 Week High/Low	1,673/1,307
Market cap (INR bn/USD bn)	1,245/14.0
Free float (%)	70.9
Avg. daily value traded (INR mn)	2,108.4

SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	29.20%	29.19%	29.20%
FII	24.53%	25.19%	26.22%
DII	30.23%	29.19%	28.09%
Pledge	0%	0%	0%

FINANCIALS

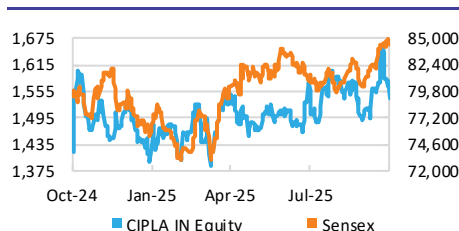
(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	2,57,741	2,75,476	2,96,022	3,26,413
EBITDA	62,911	71,279	69,830	73,663
Adjusted profit	43,164	52,725	50,138	52,393
Diluted EPS (INR)	53.4	65.3	62.1	64.9
EPS growth (%)	(1.0)	22.2	(4.9)	4.5
RoAE (%)	18.0	18.2	14.9	13.7
P/E (x)	28.8	23.6	24.8	23.8
EV/EBITDA (x)	19.7	17.4	16.9	15.7
Dividend yield (%)	0	0	0	0

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	2,96,022	3,26,413	-0.5%	1.0%
EBITDA	69,830	73,663	-1.6%	-0.8%
Adjusted profit	50,138	52,393	-1.6%	-0.7%
Diluted EPS (INR)	62.1	64.9	-1.6%	-0.7%

PRICE PERFORMANCE



Succession finalised; EBITDA guidance cut

Cipla's Q2FY26 revenue beat consensus estimates by 2% while EBITDA/PAT were in line with estimates. EBITDA margin came in at 25% and missed consensus slightly due to higher R&D spend (7.1% of sales). Gross margin missed our estimate due to erosion in gRevlimid.

Mr Achin Gupta would take charge from Mr Umang Vohra as Cipla's MD & CEO from Apr-26. Cipla is also set to step up R&D efforts due to progress on complex product pipeline. It has lowered margin guidance by ~50bp for FY26E. We estimate further ~100bp margin contraction in FY27E. India launches of GLP-1s remain India growth lever going forward. We reckon entry of competition in Lanreotide in CY26. Retain 'HOLD' with a TP of INR1,715 (from INR1,725).

Revenue beats consensus; slight miss on margin due to higher R&D

Revenue grew 8% YoY to INR75.9bn, beating consensus estimates by 2%. Gross margin was 67.1%, missing our expectation of 67.5% due to price erosion in gRevlimid. EBITDA was flat YoY/ grew 7% QoQ to INR18.9bn, in line with consensus estimate. EBITDA margin was 25%, missing consensus/our estimate by 37bp/80bp. R&D spend (INR5.4bn, 7.1% of sales) surged 40% YoY/25% QoQ, contributing to the margin miss. PAT inched up 4% YoY/QoQ each to INR13.5bn in-line with our/consensus estimates. Cipla posted net cash position of INR99bn at end-H1FY26.

India growth below expectation; US weak with gRevlimid erosion

The domestic business grew 7% YoY, but was 160bp lower than our expectation. Adjusted for consumer health and in-licensed products, we think the domestic business growth was ~6% YoY. The company needs to improve the domestic growth going forward. Its US business fell 2% YoY and missed our expectation by 2% due to gRevlimid price erosion. The performance in Africa and emerging markets was ahead of our expectation, which offset the decline in the other businesses.

Margin guidance lowered; Amneal set to launch Lanreotide generic

gRevlimid is set to decrease Q3FY26 onwards and Cipla is set to step-up R&D spend. Considering this, Cipla has guided for 22.7%–24% margins in FY26, which is lower than our earlier expectation. The launches of partnered Tirzepatide from Lilly and Semaglutide generic are exciting domestic opportunities in FY27 (read our recent [update](#)). Cipla has guided for four respiratory and three peptide product launches in CY26. We note Amneal is set to [launch](#) Lanreotide generic in Q1CY26, which can lead to price erosion in Cipla's Lanreotide. We are trimming FY26E EPS by ~2%, but retaining FY27 estimates. Retain 'HOLD' with a TP of INR1,715 (earlier INR1,725).

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	75,894	70,510	7.6	69,575	9.1
EBITDA	18,948	18,856	0.5	17,781	6.6
Adjusted Profit	13,512	13,025	3.7	12,976	4.1
Diluted EPS (INR)	16.7	16.1	3.7	16.1	4.1

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	2,57,741	2,75,476	2,96,022	3,26,413
Gross profit	1,69,545	1,86,186	1,96,836	2,12,715
Employee costs	43,100	48,328	52,990	57,122
R&D cost	15,720	15,240	20,096	21,217
Other expenses	47,814	51,339	53,920	60,713
EBITDA	62,911	71,279	69,830	73,663
Depreciation	10,510	11,070	11,173	12,383
Less: Interest expense	899	620	532	520
Add: Other income	7,466	8,619	10,775	11,700
Profit before tax	58,967	68,208	68,899	72,460
Prov for tax	15,466	15,298	18,766	20,071
Less: Exceptional item	1,948	0	0	0
Reported profit	45,112	52,725	50,138	52,393
Adjusted profit	43,164	52,725	50,138	52,393
Diluted shares o/s	808	808	808	808
Adjusted diluted EPS	53.4	65.3	62.1	64.9
DPS (INR)	0	0	0	0
Tax rate (%)	26.2	22.4	27.2	27.7

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Gross Margin (%)	65.8	66.4	65.7	65.0
R&D as a % of sales	6.1	6.0	5.5	6.0
Debt/EBITDA	0	0	0	0
EBITDA margin (%)	24.4	25.9	23.6	22.6
Net profit margin (%)	16.7	19.1	16.9	16.1
Revenue growth (% YoY)	13.3	6.9	7.5	10.3
EBITDA growth (% YoY)	(1.2)	13.3	(2.0)	5.5
Adj. profit growth (%)	(1.0)	22.2	(4.9)	4.5

Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	6.5	6.3	6.5	6.5
Repo rate (%)	6.5	5.3	5.3	5.3
USD/INR (average)	82.7	84.0	82.0	82.0
India growth (%)	10.1	11.5	11.0	10.0
Exports growth (%)	12.7	8.1	7.1	(3.1)
US sales (USD mn)	906.0	963.5	1,073.5	964.8
API sales (USD mn)	70.3	73.1	78.6	82.6
Capex (USD mn)	163.2	178.6	146.3	146.3

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	28.8	23.6	24.8	23.8
Price/BV (x)	4.7	4.0	3.5	3.1
EV/EBITDA (x)	19.7	17.4	16.9	15.7
Dividend yield (%)	0	0	0	0

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	1,615	1,615	1,615	1,615
Reserves	2,65,450	3,10,319	3,57,222	4,06,380
Shareholders funds	2,67,064	3,11,935	3,58,837	4,07,995
Minority interest	959	958	958	958
Borrowings	2,470	921	421	1
Trade payables	24,740	28,375	29,197	32,194
Other liabs & prov	27,101	26,199	30,074	33,082
Total liabilities	3,27,178	3,73,870	4,24,815	4,80,106
Net block	50,690	52,623	54,777	56,928
Intangible assets	47,130	49,864	51,111	52,799
Capital WIP	8,643	12,128	10,361	11,424
Total fixed assets	1,06,463	1,14,614	1,16,248	1,21,151
Non current inv	7,558	7,508	10,361	11,424
Cash/cash equivalent	6,401	5,887	63,700	89,547
Sundry debtors	47,707	55,064	56,771	62,600
Loans & advances	172	482	482	482
Other assets	1,40,304	1,71,778	1,59,322	1,75,421
Total assets	3,27,178	3,73,870	4,24,815	4,80,106

Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	58,967	68,208	68,899	72,460
Add: Depreciation	10,510	11,070	11,173	12,383
Interest (net of tax)	899	620	532	520
Others	6,408	5,177	11,706	12,903
Less: Changes in WC	(8,061)	(6,655)	(4,480)	(8,992)
Operating cash flow	41,339	50,050	57,359	56,299
Less: Capex	(13,493)	(15,397)	(9,302)	(11,702)
Free cash flow	27,846	34,653	48,057	44,597

Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	18.0	18.2	14.9	13.7
RoCE (%)	23.3	23.6	20.6	19.0
Inventory days	215	222	214	203
Receivable days	63	68	69	67
Payable days	102	109	106	99
Working cap (% sales)	56.1	65.0	75.4	81.2
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	0	0	(0.2)	(0.2)
Interest coverage (x)	58.3	97.1	110.2	117.8

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	(1.0)	22.2	(4.9)	4.5
RoE (%)	18.0	18.2	14.9	13.7
EBITDA growth (%)	(1.2)	13.3	(2.0)	5.5
Payout ratio (%)	0	0	0	0

Q2FY26 conference call: Key takeaways

Financials/guidance

- **FY26 EBITDA margin guidance:** Revised to 22.75%–24% (earlier 23.5%–24.5%) excluding business plan. H1FY26 benefited from gRevlimid, which will not contribute in H2FY26. The revised range factors in seasonality dynamics, along with higher R&D spending in H2FY26 as select programs are being ramped up. This is resulting in an estimated ~0.5% impact on margins. The full-year impact of gRevlimid has already been accounted for.
- Q3FY26 is expected to be a seasonal quarter with steady YoY growth in the base business. While Q4 typically is a softer quarter in terms of sales and margins.
- **One India:** Acute and respiratory therapies have minor seasonality issues; Cipla is also diversifying its therapy exposure. Cipla's Current growth is at 8-9% in domestic Rx business and management expect to see the growth around it. In coming quarters, market beating growth can be achieved in One-India, excluding the partnership product from Eli Lilly.
- Manufacturing in the US is more expensive compared to manufacturing in India. While Capex, material and running costs like power, etc. are largely the same. The key difference is the labour and other costs related to quality.
- Cipla is participating in Chronic and lifestyle categories. It expects opportunity there and expects to see volume growth.
- R&D expense was higher due to select new opportunities which management expects should enhance the pipeline.
- Gross margin declined due to some price erosion and higher tender business in Africa.
- Debt stood at INR4.67bn, while net cash at INR99bn.

GLP-1s

- **Eli Lilly partnership:** Cipla aims to launch the product at the earliest, viewing it as a significant opportunity with strong growth potential across Tier-II and Tier-III towns. Under the arrangement, Eli Lilly will supply the product to Cipla at a transfer price (material cost), while Cipla holds full rights to promote, distribute, and market it in India. The marketing expenses will be borne by Cipla. Tirzepatide will initially be marketed by Cipla and Lilly, indicating a sizeable opportunity. Cipla already has recruited and trained a dedicated sales force for Tirzepatide over the past three months.
- **Semaglutide generic:** Cipla expects Semaglutide approval after March-26. Cipla's Semaglutide launch depends upon certain scenarios (like commercial viability) as Semaglutide would be a large but competitive market. Semaglutide will be marketed independently by a team, different than that for Tirzepatide. The company expects the product to see a strong uptake across diverse geographies. Cipla will procure Semaglutide API and fill/ finish process will done be through the CMO. Over a period of time, certain categories of product will be done internally. Currently Cipla has signed up for enough capacity to supply to the market.

India business

- **GST:** The GST rate transition led to a disruption in sales trend, which was mostly dissolved within the quarter.

- **Trade generics:** Grew in double digits on the back of rigorous execution in distribution, new product launches and technological advancements. The company has two brand with TTM revenue of >INR1bn and five brands with TTM revenue in the range of INR0.5bn-INR1bn.
- **FY26 expectation:** Business is recovering and by Q4FY26 it should be on track to achieve higher growth rate. Focus is to regain growth momentum and outperform in branded + trade generics market.
- Triple combo products (Voltido, Trio, Ciphaler and Foracort are gaining strong traction).
- Chronic mix improved to 61.8%.

North America

- Focus will be to concentrate on accelerating the commercial execution of new product introductions.
- **gAbraxane:** Initially, the product was behind Cipla's estimates as it was over supplied; recently in the past 2-3 months, situation has changed and it further expects to gain market share.
- The management remains confident to achieve the USD1bn FY27 revenue target in FY27 if key products are approved in time.
- **gQvar:** The litigation is ongoing.
- **gRevlimid:** The revenue contribution was lower QoQ/YoY in Q2FY26. This should be a product with marginal/nil contribution in Q3FY26.
- **Lanreotide:** Market share (currently 22%) shall continue to go up as innovator's brand still has high market share. Though competition may pick up in the future, it is still a sizeable opportunity for Cipla.
- **Albuterol inhaler:** Ranked #1 with market share at 22%.
- Received generic drug approval Glucagon generic.
- **New launches:** The company expects to launch 4 major respiratory assets, including gAdvair (Q4FY26), and 3 peptide assets including Liraglutide in CY26. Within respiratory, 3 out of 4 assets are filed from the US facilities.

Africa/EM/EU

- EM and Europe growth saw an uptick in both DTM and B2B categories, along with sustained overall margins.
- Eli Lilly has already partnered with Aspen Pharmacare in South Africa for Tirzepatide and Novo has launched its own brand in Africa.
- South Africa: Management expects next 2 quarters to be critical for margin expansion.
- EMU: Priority is to drive top-line growth by deepening penetration by maintaining strong margin.

Other KTAs

- Mr Achin Gupta is appointed as the MD and Global CEO with effect from April 1, 2026.
- **Bommasandra unit:** The re-inspection can take any time in CY25 or early CY26.

- Recently a fill-finish product has underwent a tech transfer at Chemwell's facility, this however is not a biological product.
- Cipla plans to add more biosimilars to its own and partnership portfolios after the recent USFDA's draft guidelines.

Exhibit 1: Segmental breakdown of revenue (INR mn)

Year to March	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Nuvama estimates	Deviation (%)
India	31,460	29,480	6.7	30,700	2.5	31,986	(1.6)
One Africa	11,780	10,680	10.3	8,710	35.2	10,520	12.0
North America	20,390	19,860	2.7	19,330	5.5	20,269	0.6
US (USD mn)	233	237	(1.7)	226	3.1	237	(1.7)
Emerging markets & Europe	9,670	8,060	20.0	8,610	12.3	8,981	7.7
Global API	1,480	1,600	(7.5)	1,020	45.1	1,711	(13.5)
Others	1,110	830	33.7	1,210	(8.3)	1,763	(37.0)
Total sales	75,894	70,510	7.6	69,575	9.1	75,230	0.9

Source: Company, Nuvama Research

Exhibit 2: Actual versus estimate (INR mn)

Year to March	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Nuvama estimates	Deviation (%)	Consensus	Deviation (%)
Net revenue	75,894	70,510	7.6	69,575	9.1	75,230	0.9	74,386	2.0
Raw material costs	24,976	22,830	9.4	21,707	15.1	24,467	2.1		
Gross profit	50,918	47,680	6.8	47,868	6.4	50,763	0.3		
Gross Margin (%)	67.1	67.6	(53.1)	68.8	(171)	67.5	(38.6)		
Employee costs	13,148	12,079	8.9	13,123	0.2	13,165	(0.1)		
R&D cost	5,390	3,850	40.0	4,320	24.8	4,514	19.4		
Other expenses	18,823	16,745	12.4	16,963	11.0	18,206	3.4		
EBITDA	18,948	18,856	0.5	17,781	6.6	19,392	(2.3)	18,849	0.5
EBITDA margin (%)	25.0	26.7	(177.6)	25.6	(59)	25.8	(81.1)	25.3	(37)
Net finance expense (income)	132	154	(14.4)	141	(6.2)	130	1.4		
Depreciation	2,970	2,717	9.3	2,527	17.5	2,691	10.4		
Other income	2,690	1,906	41.1	2,586	4.0	2,100	28.1		
PBT	18,535	17,891	3.6	17,699	4.7	18,672	(0.7)		
Income tax expense	5,005	4,830	3.6	4,779	4.7	5,041	(0.7)		
Tax rate (%)	27.0	27.0	0.1	27.0	0.0	27.0	0.0		
Reported Profit	13,512	13,025	3.7	12,976	4.1	13,602	(0.7)		
Adjusted Profit	13,512	13,025	3.7	12,976	4.1	13,602	(0.7)	13,457	0.4

Source: Company, Nuvama Research

Exhibit 3: Quarterly snapshot (INR mn)

Year to March	Q2FY26	Q2FY25	% change	Q1FY26	% change	FY25	FY26E	FY27E
Net Revenue	75,894	70,510	7.6	69,575	9.1	2,75,476	2,96,022	3,26,413
Cost of revenue	24,976	22,830	9.4	21,707	15.1	89,290	99,186	1,13,698
Gross profit	50,918	47,680	6.8	47,868	6.4	1,86,186	1,96,836	2,12,715
Employee cost	13,148	12,079	8.9	13,123	0.2	48,328	52,990	57,122
R&D	5,390	3,850	40.0	4,320	24.8			
Other expenses	18,823	16,745	12.4	16,963	11.0	66,579	74,016	81,930
EBITDA	18,948	18,856	0.5	17,781	6.6	71,279	69,830	73,663
EBITDA margin (%)	25	27		26		26	24	23
Depreciation	2,970	2,717	9.3	2,527	17.5	11,070	11,173	12,383
EBIT	15,978	16,139	(1.0)	15,254	4.7	60,210	58,657	61,280
Less: Interest Expense	132	154	(14.4)	141	(6.2)	620	532	520
Add: Other income	2,690	1,906	41.1	2,586	4.0	8,619	10,775	11,700
Add: Exceptional items	0	0		0		0	0	0
Profit before tax	18,535	17,891	3.6	17,699	4.7	68,208	68,899	72,460
Less: Provision for Tax	5,005	4,830	3.6	4,779	4.7	15,298	18,766	20,071
Less: Minority Interest	-19	-35	(45.6)	56	(134.1)	-185	5	5
Reported Profit	13,512	13,025	3.7	12,976	4.1	52,725	50,138	52,393
Adjusted Profit	13,512	13,025	3.7	12,976	4.1	52,725	50,138	52,393
No. of Diluted shares outstanding	808	808		808		808	808	808
Adjusted Diluted EPS	16.7	16.1	3.7	16.1	4.1	65.3	62.1	64.9
as % of revenues								
Cost of revenue	32.9	32.4		31.2		32.4	33.5	34.8
Employee cost	17.3	17.1		18.9		17.5	17.9	17.5
R&D	7.1	5.5		6.2		0.0	0.0	0.0
Total operating expenses	82.1	78.7		80.7		74.1	76.4	77.4
Gross profit	67.1	67.6		68.8		67.6	66.5	65.2
Operating profit	21.1	22.9		21.9		21.9	19.8	18.8
Net profit	17.8	18.5		18.7		19.1	16.9	16.1
Tax rate	27.0	27.0		27.0		22.4	27.2	27.7

Source: Company, Nuvama Research

Company Description

Cipla is a global pharma company with a geographically diversified presence across 80+ countries. India branded formulations account for more than 40% of business and Cipla is among the top 3 players in the market. In the past, the company believed in the partnership model for international markets. However, over the past 4 years the company is undergoing a strategic shift and has started setting up its own front end. Cipla is also a well-known global player in inhalers and anti-retrovirals. Cipla meaningfully entered the US market fairly later than peers, in 2015, with the acquisition of Invagen and Exelan. Going forward, the company is planning launch of combination inhalers in larger markets of US & EU.

Investment Theme

We believe Cipla has the least revenue risk among peers as albuterol ramp-up coupled with niche launches should keep the US ticking profitably, domestic base business will remain steady as core therapies continue to do well and South Africa grows in high-single digits. While R&D and other costs are likely to inch up as markets open, strong revenue stream should ensure no tangible margin pressures.

Key Risks

- Slowdown in ANDA approvals and USFDA related regulatory risks are part of the generics business.
- Regulatory changes in India or South Africa where Cipla is among the top 5 players
- Currency risk

Additional Data

Management

Non-Executive Chairman	Dr. Y.K. Hamied
Non-Executive Vice Chairman	Mr. M. K. Hamied
MD & Global CEO	Umang Vohra
Global CFO	Ashish Adukia
Auditor	Walker Chandiok & Co LLP

Holdings – Top 10*

% Holding		% Holding	
HDFC AMC	5.20	DSP Investment	1.96
Blackrock	5.00	Franklin Resour	1.65
SBI Funds	3.27	Nippon Life AMC	1.53
Vanguard	2.96	ICICI Pru AMC	1.52
Norges	2.33	PPFAS	1.24

*Latest public data

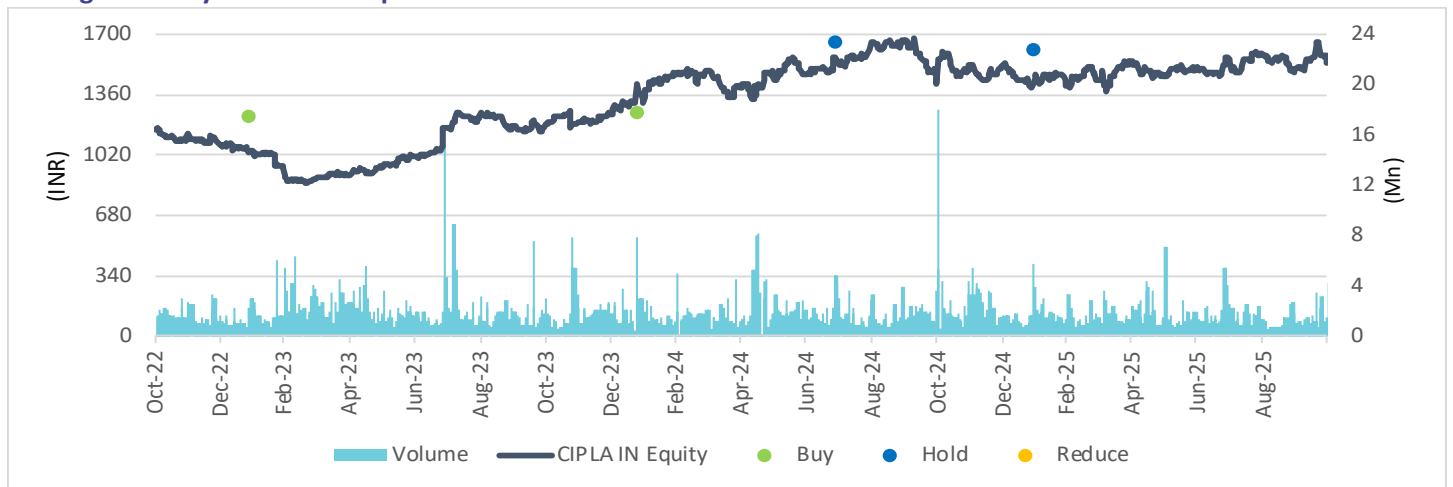
Recent Company Research

Date	Title	Price	Reco
23-Oct-25	Eli Lilly deal: A weighty growth affair; <i>Company Update</i>	1,645	Hold
27-Jul-25	Superior execution drives margin beat; <i>Result Update</i>	1,532	Hold
13-May-25	Margin guidance below expectations; <i>Result Update</i>	1,520	Hold

Recent Sector Research

Date	Name of Co./Sector	Title
25-Oct-25	Dr Reddy's Labs	In-line performance; <i>Result Update</i>
07-Oct-25	Pharmaceuticals	Q2FY26: A low-key quarter for pharma; <i>Sector Update</i>
01-Oct-25	Pharmaceuticals	Pfizer-US deal provides temporary relief; <i>Sector Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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