

Comparable Companies Valuation Analysis

Company Evaluated: *Cipla Ltd.*

Source: *Screener.in*

1. Overview of Comparable Companies Valuation

Comparable Companies Valuation (CCV) is a widely used **relative valuation method**, similar in purpose to the **Discounted Cash Flow (DCF)** model, but simpler in execution. It compares the valuation of a target company to that of peer firms based on standardized metrics. These metrics usually include:

- **EV/Revenue** – measures how much investors are willing to pay per unit of revenue.
- **EV/EBITDA** – assesses the value of a firm relative to its core operating earnings.
- **P/E (Price-to-Earnings)** – reflects market expectations for future earnings potential.

This method is especially helpful in determining whether a company is undervalued or overvalued compared to its peers in the same industry or sector.

2. Analysis of Comparable Valuations – Cipla Ltd.

Amount in Crores

Comparable Company Valuation

Company	Ticker	Market Data					Financials			Valuation		
		Share Price	Shares Outstanding	Equity Value	Net Debt	Enterprise Value	Revenue	EBITDA	Net Income	EV/Revenue	EV/EBITDA	P/E
Cipla	CIPLA	1,529.1	80.8	123,490.1	-413.6	123,076.5	26,512.0	6,409.4	4,480.8	4.6x	19.2x	27.6x
Sun Pharma.Inds.	SUNPHARMA	1,890.0	239.9	453,455.7	-7,948.7	445,507.0	50,307.7	13,247.7	11,117.1	8.9x	33.6x	40.8x
Cipla	CIPLA	1,529.1	80.8	123,490.1	-413.6	123,076.5	26,512.0	6,409.4	4,480.8	4.6x	19.2x	27.6x
Mankind Pharma	MANKIND	2,881.1	41.3	118,872.1	-553.6	118,318.6	9,288.1	2,453.4	2,089.2	12.7x	48.2x	56.9x
Dr Reddy's Labs	DRREDDY	1,369.0	83.4	114,229.4	3,126.4	117,355.8	30,084.9	7,468.5	5,425.0	3.9x	15.7x	21.1x
Lupin	LUPIN	2,364.9	45.6	107,886.7	2,240.0	110,126.7	21,431.3	3,565.9	2,651.9	5.1x	30.9x	40.7x
Zydus Lifesci.	ZYDUSLIFE	973.8	100.6	97,983.8	-914.6	97,069.2	21,483.5	5,754.8	4,438.7	4.5x	16.9x	22.1x
Aurobindo Pharma	AUROPHARMA	1,353.3	58.6	79,286.9	2,149.0	81,435.9	30,295.0	5,534.5	3,582.5	2.7x	14.7x	22.1x
Alkem Lab	ALKEM	5,571.0	12.0	66,629.2	-101.5	66,527.7	12,706.2	2,595.3	2,161.0	5.2x	25.6x	30.8x
Glenmark Pharma.	GLENMARK	1,614.5	28.2	45,561.2	51.4	45,612.6	12,247.6	1,838.8	-850.4	3.7x	24.8x	-53.6x
Biocon	BIOCON	368.8	120.1	44,278.1	14,512.1	58,790.2	14,894.1	3,256.0	1,865.1	3.9x	18.1x	23.7x
High										12.7x	48.2x	56.9x
75th Percentile										5.2x	28.3x	35.8x
Average										5.5x	24.3x	23.6x
Median										4.6x	19.2x	27.6x
25th Percentile										3.9x	17.5x	22.1x
Low										2.7x	14.7x	-53.6x

Cipla Comparable Valuation				EV/Revenue	EV/EBITDA	P/E
Implied Enterprise Value	123,076.5	123,076.5	123,490.1			
Net Debt	-413.6	-413.6	-413.6			
Implied Market Value	123,490.1	123,490.1	123,490.1			
Shares Outstanding	80.8	80.8	80.8			
Implied Value Per Share	1529.1	1529.1	1529.1			

Source: Screener.in

Overvalued Overvalued Overvalued

Figure 1: Comparable Companies Valuation

Figure 1.1 provides a summary of key valuation multiples for Cipla and its pharmaceutical peers. The peer group includes prominent names such as Sun Pharma, Dr. Reddy's Laboratories, Lupin, Zydus Lifesciences, Biocon, and others.

A closer examination of the valuation metrics reveals the following:

Valuation Metric	Cipla	Peer Median	Insight
EV/Revenue	4.6x	4.6x	Matches median
EV/EBITDA	19.2x	19.2x	Matches median
P/E	27.6x	27.6x	Matches median

As shown in Figure 1.1, Cipla is trading exactly at the **median level** of the peer group across all three valuation multiples. This suggests that the market perceives Cipla's business fundamentals and risk profile as being broadly in line with the pharmaceutical industry average.

However, Cipla's valuation is **above the average** P/E (23.6x) and **EV/EBITDA** (24.3x), which could signal **overvaluation** unless justified by stronger forward growth, operational efficiency, or R&D pipeline strength. Notably, Cipla maintains a **net debt of ₹ -413.6 crores**, highlighting a net cash position and strong balance sheet flexibility.

3. Peer Positioning and Valuation Extremes

Figure 1.1 also highlights the **valuation dispersion** within the peer group:

- **Mankind Pharma** shows the highest valuation across all metrics (EV/Revenue: 12.7x; EV/EBITDA: 48.2x; P/E: 56.9x), likely driven by rapid revenue growth and investor confidence in its future earnings potential.
- **Glenmark Pharma** displays a negative P/E ratio (-53.6x) due to net losses, while **Aurobindo Pharma** and **Dr. Reddy's Labs** show the lowest EV/Revenue multiples at 2.7x and 3.9x, respectively, suggesting relative undervaluation.

By contrast, Cipla's stable earnings, positive EBITDA, and strong equity base place it **squarely in the middle of the distribution**, reflecting moderate investor expectations.

4. Conclusion

Cipla's current valuation is **fairly priced relative to its peers**, based on the median industry multiples. It is **neither significantly discounted nor commanding a large premium**. The company's strong financial position, especially its net cash status, supports this valuation. However, investors should monitor future performance and industry developments, as any deviation in margins, regulatory developments, or product pipeline news may cause a reassessment of its relative standing.

Cipla's valuation appears justified under current market conditions, though **future upside potential may be limited unless substantial growth catalysts emerge**.