Sun Pharma

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	SUNP IN
Equity Shares (m)	2399
M.Cap.(INRb)/(USDb)	4775.8 / 50.1
52-Week Range (INR)	2048 / 1547
1, 6, 12 Rel. Per (%)	5/28/18
12M Avg Val (INR M)	4972

Financials & valuations (INRb)

Y/E MARCH	FY26	FY27E	FY28E
Sales	577.3	629.0	695.8
EBITDA	157.6	174.4	195.3
Adj. PAT	112.2	120.6	138.7
EBIT Margin (%)	22.2	22.8	23.2
Adj. EPS (INR)	46.8	50.3	57.8
EPS Gr. (%)	-0.8	7.5	15.0
BV/Sh. (INR)	348.3	385.4	430.9
Ratios			
Net D:E	-0.4	-0.4	-0.5
RoE (%)	14.4	13.7	14.2
RoCE (%)	14.2	13.3	14.0
Payout (%)	25.8	24.9	21.3
Valuations			
P/E (x)	42.5	39.6	34.4
EV/EBITDA (x)	29.8	26.5	23.2
Div. Yield (%)	0.5	0.5	0.5
FCF Yield (%)	1.9	1.6	2.1
EV/Sales (x)	8.1	7.4	6.5

Shareholding pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	54.5	54.5	54.5
DII	22.2	21.1	19.5
FII	14.5	15.9	17.3
Others	8.8	8.5	8.8

FII includes depository receipts

CMP: INR1,991 TP: INR2,310 (+16%) Buy

Specialty and branded lead the way

On-track to complete Organon acquisition by 4QFY27

- Sun Pharma (SUNP) delivered in-line revenue/EBITDA in 1QFY27, whereas adjusted PAT came in higher than expected (11% beat), led by higher other income.
- The global innovative portfolio maintained growth momentum (13% YoY) and accounted for 22% of 1Q sales.
- US generics segment declined in 1Q due to lower g-Revlimid contribution and increased competition across select base products.
- Notably, brand-building exercise across therapy areas and MR additions led to sustainable industry-beating growth in the domestic formulation (DF) segment in 1QFY27.
- Superior execution has enabled two consecutive years of outperformance. Notably, it is broad-based across therapies and a healthy mix of volume and new launches.
- We maintain our earnings estimates for FY27/FY28. We value SUNP at 38x 12-month forward earnings to arrive at a TP of INR2,310.
- SUNP remains on track to a) expand its innovative medicine portfolio through enhanced marketing efforts on new launches, increasing the prescriber base and the prescription rate for existing products. Further, improved industry-level growth and strong brand franchise support healthy growth for SUNP. Currency tailwinds would be a favorable growth driver for SUNP's revenue. These benefits would be partially offset by price erosion in the US generics segment. Accordingly, we build in an 11% earnings CAGR over FY26-28. **Maintain BUY.**

Segment mix benefit offset by higher opex YoY

- Sales grew 10.1% YoY to INR151.8b (vs our est. INR152.8b).
- Gross margin expanded 90bp YoY to 80.5% for the quarter.
- EBITDA margin contracted 155bp YoY to 27.5% (our est. 26.2%), as employee costs/other expenses rose 90bp/160bp as % of sales.
- Accordingly, EBITDA grew 4% YoY to INR41.8b (our est. INR40b).
- An exceptional item of INR821m included (1) a charge of INR1.7b for due diligence/legal/filing fees to acquire all outstanding shares of Organon, (2) incremental costs of INR370m wrt the reassessment and refinement of employee compensation structures, and (3) net forex gains of INR1.2b.
- Adj. PAT was INR30.9b (est. INR29.8b), up 3.1% YoY. The tax rate was high at 29% for the quarter.

DF/innovative drive revenue growth; aided by FX

- DF sales grew 16% YoY to INR54.7b (36% of sales).
- ROW sales grew 10.4% YoY to INR20.7b (14% of sales, flat YoY in CC terms).
- EM sales grew 15.4% YoY to INR29.5b (19% of sales, +4% YoY in CC terms).
- US sales were stable YoY at INR40.4b (down 9.7% YoY to USD427m in CC terms (27% of sales).
- Global innovative medicine sales at USD351m rose 12.8% YoY.

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Highlights from the management commentary

- SUNP reiterated high-single-digit revenue growth guidance for FY27.
- With respect to Unloxcyt, SUNP has implemented efforts to add the product in the majority of hospital formularies. Having said this, the key influencers are oncologists and dermatologists and SUNP is putting efforts to increase its prescriber and prescription bases.
- The Organon acquisition has been recently approved by Organon shareholders. The overall process is expected to be completed by 4QFY27.
- The global innovative portfolio's performance was driven by healthy traction in the US and non-US markets.
- US sales growth was impacted by reduced business of g-Revlimid and increased competition in certain base products.
- For DF segment, new prescriptions, enhanced brand-building exercise across therapy areas and MR additions have led to sustainable industry-beating growth in 1QFY27 as well.
- Innovative medicines accounted for ~30% of 1Q R&D spend, while the remaining ~70% was directed to generics and India-related product development.

Quarterly Earning Model

Y/E March	FY26				FY27E				FY26	FY27E	FY27E	Var
INRm	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1Q	%
Net Sales	137,861	144,052	149,790	145,598	151,836	156,011	161,050	160,094	577,300	628,990	152,791	-0.6
YoY Change (%)	10.1	8.6	14.7	13.6	10.1	8.3	7.5	10.0	11.7	9.0	10.8	
EBITDA	40,073	40,235	42,530	34,755	41,794	43,137	44,772	44,666	157,592	174,369	40,031	4.4
Margins (%)	29.1	27.9	28.4	23.9	27.5	27.7	27.8	27.9	27.3	27.7	26.2	
Depreciation	7,006	7,295	7,323	7,755	7,387	7,801	8,053	8,005	29,379	31,246	7,509	
EBIT	33,067	32,940	35,207	27,000	34,406	35,336	36,719	36,661	128,214	143,122	32,522	
Interest	748	999	784	859	997	869	869	869	3,389	3,604	869	
Other Income	5,298	5,430	6,303	5,105	8,400	5,090	5,358	5,572	22,137	24,420	4,822	
PBT before EO expense	37,617	37,371	40,726	31,246	41,809	39,557	41,208	41,364	146,961	163,938	36,475	
Extra-Ord expense	5,890	-4,305	-1,545	-4,268	821	0	0	0	-4,228	821	0.0	
PBT	31,728	41,676	42,272	35,514	40,988	39,557	41,208	41,364	151,189	163,117	36,475	
Tax	8,702	10,305	8,261	8,276	11,880	10,680	10,920	10,341	35,544	43,822	8,462	
Rate (%)	27.4	24.7	19.5	23.3	29.0	27.0	26.5	25.0	23.5	26.9	23	
MI & Profit/Loss of Asso. Cos.	240	191	323	96	160	163	163	163	850	648	163	
Reported PAT	22,786	31,180	33,688	27,141	28,948	28,714	30,125	30,861	114,795	118,648	27,850	
Adj PAT	29,961	27,939	30,425	23,868	30,893	28,714	30,125	30,861	112,194	120,593	27,850	10.9
YoY Change (%)	9.0	-3.8	10.1	-13.6	3.1	2.8	-1.0	1.4	-0.8	7.5	-7.0	
Margins (%)	21.7	19.4	20.3	16.4	20.3	18.4	18.7	19.3	19.4	19.2	18.2	

Consolidated -KPIs

INRm	FY26				FY27E				FY26	FY27E	1QE
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Domestic formulations	47,211	47,348	49,986	48,359	54,749	53,977	55,984	55,129	192,904	219,839	52,404
YoY Change (%)	13.9	11.0	16.2	14.8	16.0	14.0	12.0	14.0	14.0	14.0	11.0
US sales	40,452	43,288	42,505	41,997	40,419	41,247	40,586	42,508	168,242	164,760	42,646
YoY Change (%)	4.0	0.0	6.2	4.5	-0.1	-4.7	-4.5	1.2	3.6	-2.1	5.4
ROW+EM	44,267	48,782	51,488	48,110	50,142	53,553	57,022	54,627	192,648	215,344	50,158
YoY Change (%)	12.0	18.5	24.3	20.6	13.3	9.8	10.7	13.5	18.9	11.8	13.3
APIs	5,404	4,299	5,412	6,739	5,972	6,878	7,035	7,412	21,853	27,298	7,025
YoY Change (%)	9.3	-19.5	-4.7	26.4	10.5	60.0	30.0	10.0	2.6	24.9	30.0
Cost Break-up											
RM Cost (% of Sales)	20.4	20.7	19.7	19.2	19.5	19.4	19.5	19.6	20.0	19.5	19.3
Staff Cost (% of Sales)	20.3	19.2	19.3	20.3	21.3	20.2	20.2	20.4	19.8	20.5	20.5
R&D Expenses(% of Sales)	5.6	5.4	6.0	6.7	5.4	6.0	6.0	6.0	5.9	5.9	6.5
Other Cost (% of Sales)	24.6	26.7	26.7	29.9	26.3	26.8	26.5	26.1	27.0	26.4	27.5
Gross Margins(%)	79.6	79.3	80.3	80.8	80.5	80.7	80.5	80.4	80.0	80.5	80.7
EBITDA Margins(%)	29.1	27.9	28.4	23.9	27.5	27.7	27.8	27.9	27.3	27.7	26.2
EBIT Margins(%)	24.0	22.9	23.5	18.5	22.7	22.6	22.8	22.9	22.2	22.8	21.3

Key takeaways from the management interaction

- ETR for FY27 is expected to be in the similar range as in 1QFY27.
- The intent to out-license MM-II is because of its likely prescriptions by Ortho and rheumatologists. SUNP does not have marketing presence in these therapies currently.
- SUNP has received approvals for a generic semaglutide injection for Type-2 diabetes in South Africa/Brazil. The product has already been commercialized in South Africa, while Brazil launch via partner is expected shortly.
- SUNP delivered 5.4% volume growth vs. ~2% for IPM during the quarter.
- Higher employee expenses reflect annual increments, incremental US field-force investments for LEQSELVI/ Unloxcyt and field-force additions in select ex-US markets.

Exhibit 1: Innovative medicines pipeline

Candidate	Indication	Current Phase	Next Milestone
Ilumya	❖ psoriatic arthritis	❖ Supplement filed with US FDA	❖ PDUFA Date: Oct-26
Fibromun	❖ soft tissue sarcoma	❖ Phase 2 completed	❖ Start of Phase 3
	❖ Glioblastoma	❖ Phase 2	❖ Regulatory filing
GL0034	❖ type 2 diabetes	❖ Phase 2	❖ Topline data during 2HCY27
NidlegyTM (EU, ANZ rights with Sun)	❖ locally advanced melanoma	❖ Filing with EMA	❖ Approval and launch
	❖ locally advanced BCC	❖ Phase 2	❖ Regulatory filing
	❖ locally advanced cSCC	❖ Phase 2	❖ Regulatory filing
MM-II	❖ pain in osteoarthritis	❖ Phase 2 completed	❖ To enter partnership for commercialization

Source: Company, MOFSL

Innovation pipeline to support growth visibility

Leqselvi/Unloxcyt – access and adoption to drive traction ahead

- In 1QFY27, SUNP's innovation medicine sales (ex-milestone) grew 13% YoY to USD351m, driven by both US/ex-US markets.
- Growth was driven by Ilumya, supported by strong traction in Cequa/Odomza.
- LEQSELVI/Unloxcyt offer incremental growth levers, though a meaningful scale-up is likely to be gradual given their early-stage launch curves.
- SUNP highlighted that encouraging physician feedback on LEQSELVI indicates differentiation on speed of response and overall efficacy, while Unloxcyt is gaining traction on the back of durable efficacy and a favorable safety profile.
- In 1QFY26, innovative R&D accounted for 30% of total R&D spending, which is expected to rise as new clinical trials progress.
- We expect 13% sales CAGR in the specialty portfolio to USD1.7b over FY26-28.

India momentum strong; currency supports EM growth

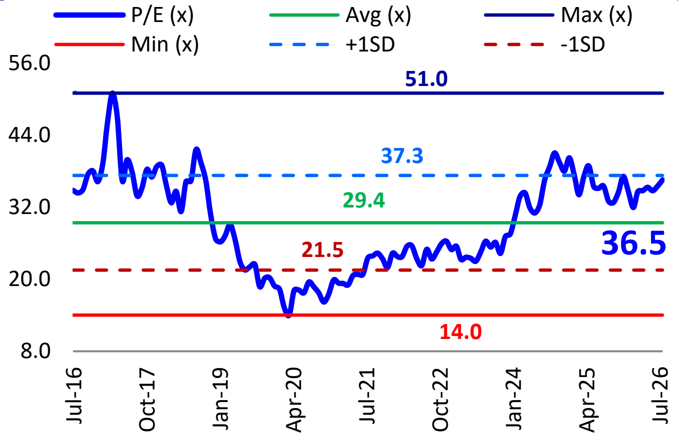
- In 1QFY27, DF sales grew 16% YoY to INR54.7b, supported by broad-based growth, led by CVD, CNS, Gastro and Ortho segments.
- Volume growth stood at 5.4% vs. ~2% for IPM.
- Product pipeline remains active, with five launches in 1Q.
- Management did not witness a slowdown in own business despite high channel inventory for g-semaglutide industry-wide.
- Additionally, clinical studies for oral-semaglutide have been completed and SUNP plans to commercialize the product following regulatory approval.

- Over FY26-28, we expect DF sales to reach INR245.7b at a 13% CAGR.
- In 1QFY27, EM sales grew 15.4% YoY to INR29.5b (USD311m, +4% YoY), driven by broad-based growth across generics and innovative medicines.
- Innovative Medicines portfolio continues to drive growth in EM.
- ROW sales increased 10.4% YoY (ex-milestone) to INR20.7b (USD218m).
- Semaglutide provides an incremental opportunity, with approval received in South Africa/Brazil for Type-2 diabetes.
- Overall, we expect EM+ROW revenue to grow to INR236.2b at an 11% CAGR over FY26-28.

Reiterate BUY

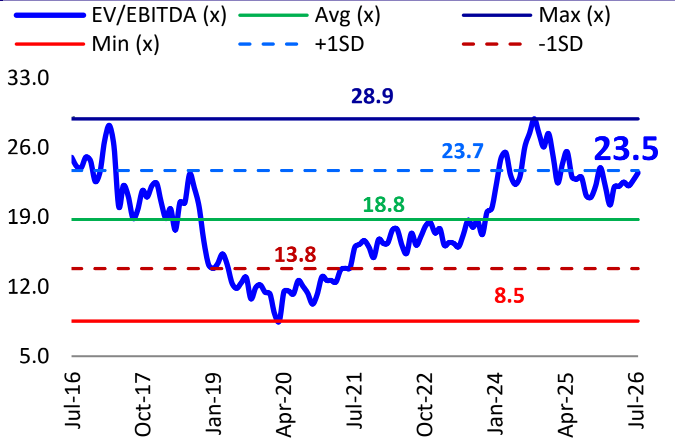
- We maintain our earnings estimates for FY27/FY28. We value SUNP at 38x 12-month forward earnings to arrive at a TP of INR2,310.
- SUNP remains on track to a) expand its innovative medicine portfolio through partnerships, launches and increasing reach. Further, stable performance in branded generics via MR addition positions SUNP well to outperform the industry. These benefits would be partially offset by price erosion in the US generics segment. Accordingly, we build in an 11% earnings CAGR over FY26-28. Maintain BUY.

Exhibit 2: P/E chart



Source: MOFSL, Company, Bloomberg

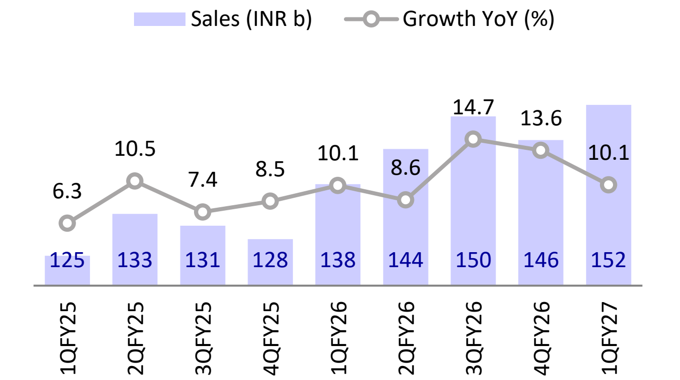
Exhibit 3: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

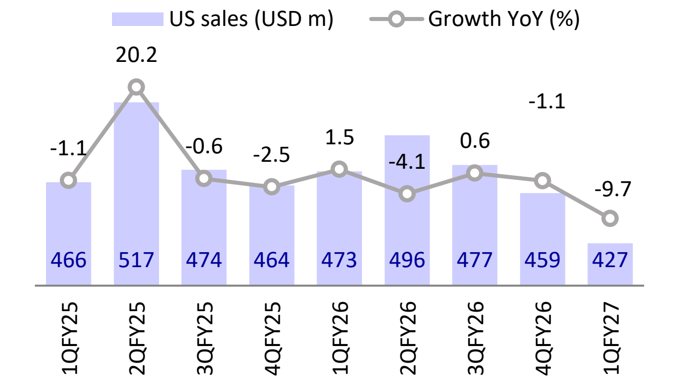
Story in charts

Exhibit 4: Revenue rose 10% YoY in 1QFY27



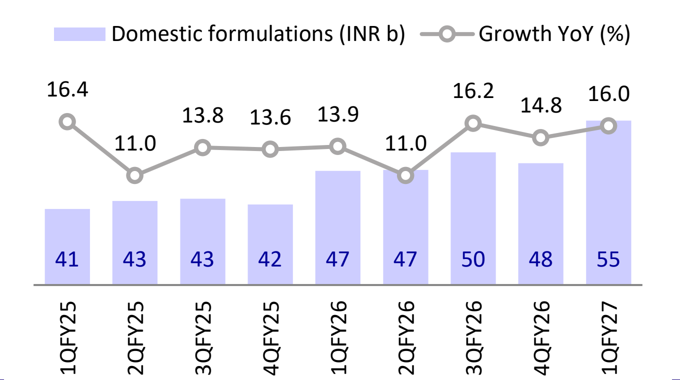
Source: Company, MOFSL

Exhibit 5: US sales decreased 9.7% YoY in CC terms



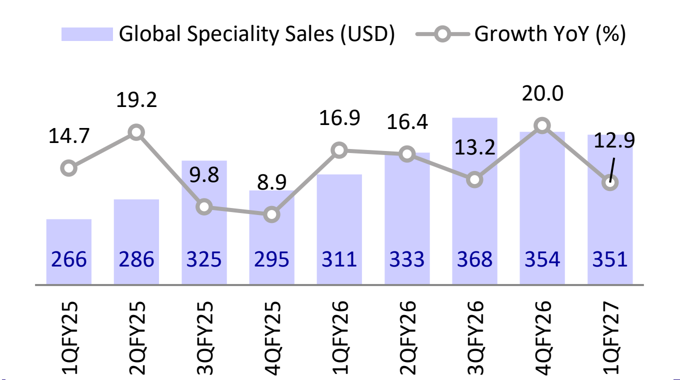
Source: Company, MOFSL

Exhibit 6: DF sales grew 16% YoY in 1QFY27



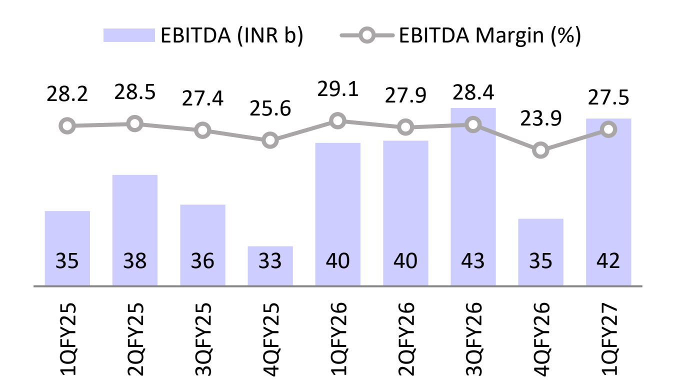
Source: Company, MOFSL

Exhibit 7: Specialty sales rose 13% YoY in 1QFY27



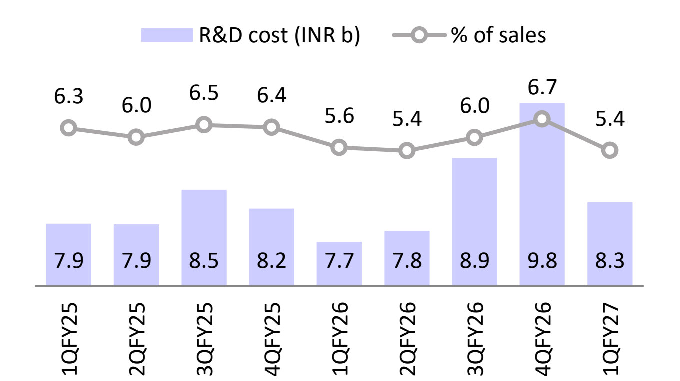
Source: Company, MOFSL

Exhibit 8: EBITDA margin contracted 155bp YoY in 1QFY27



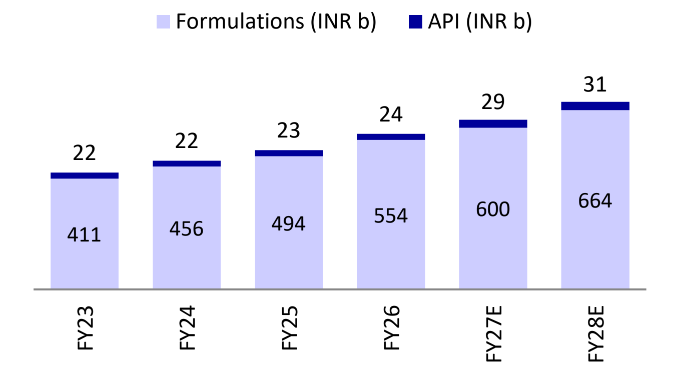
Source: Company, MOFSL

Exhibit 9: R&D costs stood at 5.4% of sales in 1QFY27



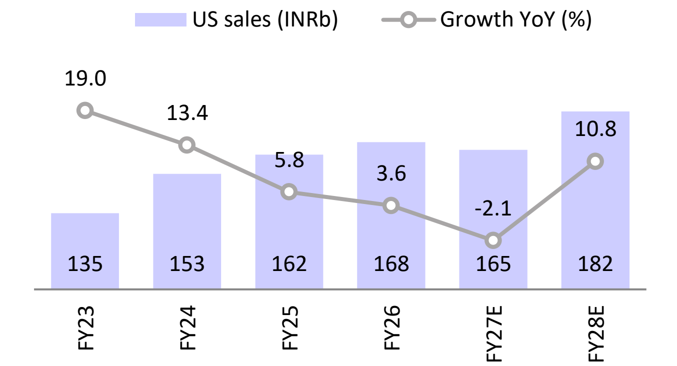
Source: Company, MOFSL

Exhibit 10: Expect 9.8% revenue CAGR over FY26-28



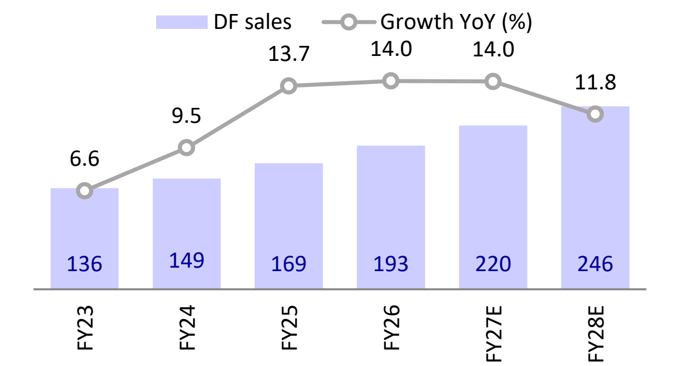
Source: Company, MOFSL

Exhibit 11: Expect 4% CAGR in US sales over FY26-28



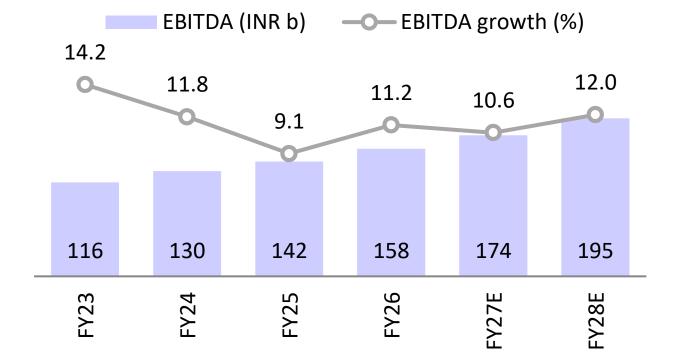
Source: Company, MOFSL

Exhibit 12: Expect DF sales CAGR of 13% over FY26-28



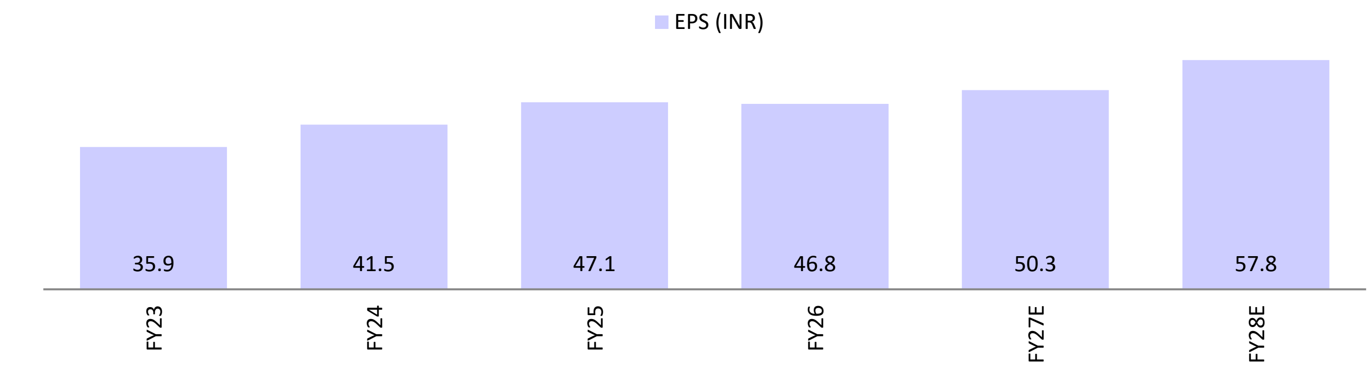
Source: Company, MOFSL

Exhibit 13: Expect EBITDA CAGR of 11.3% over FY26-28



Source: Company, MOFSL

Exhibit 14: Expect 11.2% EPS CAGR over FY26-28



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Total Income from Operations	**384,264**	**432,789**	**477,585**	**516,612**	**577,300**	**628,990**	**695,824**
Change (%)	15.6	12.6	10.4	8.2	11.7	9.0	10.6
Total Expenditure	**282,577**	**316,647**	**347,713**	**374,923**	**419,708**	**454,622**	**500,573**
% of Sales	73.5	73.2	72.8	72.6	72.7	72.3	71.9
EBITDA	**101,688**	**116,142**	**129,871**	**141,689**	**157,592**	**174,369**	**195,250**
Margin (%)	26.5	26.8	27.2	27.4	27.3	27.7	28.1
Depreciation	21,437	25,294	25,566	25,754	29,379	31,246	34,106
EBIT	**80,250**	**90,847**	**104,305**	**115,936**	**128,214**	**143,122**	**161,145**
Int. and Finance Charges	1,274	1,720	2,385	2,314	3,389	3,604	2,988
Other Income	7,528	6,345	13,542	25,022	22,137	24,420	26,382
PBT bef. EO Exp.	**86,504**	**95,473**	**115,462**	**138,644**	**146,961**	**163,938**	**184,539**
EO Items	-43,191	-1,389	-4,581	-1,123	-4,228	-821	0
PBT after EO Exp.	**43,313**	**94,084**	**110,881**	**137,520**	**151,189**	**163,117**	**184,539**
Total Tax	10,755	8,476	14,395	27,720	35,544	43,822	45,212
Tax Rate (%)	24.8	9.0	13.0	20.2	23.5	26.9	24.5
Minority Interest	1,331	873	721	511	850	648	620
Reported PAT	**31,227**	**84,735**	**95,766**	**109,289**	**114,795**	**118,648**	**138,707**
Adjusted PAT	**75,265**	**86,066**	**99,688**	**113,075**	**112,194**	**120,594**	**138,707**
Change (%)	24.9	14.4	15.8	13.4	-0.8	7.5	15.0
Margin (%)	19.6	19.9	20.9	21.9	19.4	19.2	19.9

Consolidated - Balance Sheet

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	2,399	2,399	2,399	2,399	2,399	2,399	2,399
Total Reserves	477,713	557,555	634,268	719,781	833,302	922,348	1,031,453
Net Worth	**480,112**	**559,954**	**636,668**	**722,180**	**835,701**	**924,747**	**1,033,853**
Minority Interest	30,549	33,201	34,392	2,679	3,097	3,744	4,364
Total Loans	12,903	68,859	32,737	18,696	40,816	37,316	33,816
Deferred Tax Liabilities	-28,177	-34,872	-39,486	-42,153	3,780	3,780	3,780
Capital Employed	**495,387**	**627,141**	**664,311**	**701,403**	**883,393**	**969,587**	**1,075,813**
Gross Block	321,161	347,419	356,848	427,042	511,918	536,464	563,723
Less: Accum. Deprn.	160,422	190,345	210,723	236,477	265,856	297,102	331,208
Net Fixed Assets	**160,739**	**157,074**	**146,124**	**190,565**	**246,063**	**239,361**	**232,515**
Goodwill on Consolidation	65,913	83,580	85,990	89,394	98,331	98,331	98,331
Capital WIP	12,868	49,732	53,539	12,343	13,807	16,261	17,502
Total Investments	**128,486**	**148,243**	**150,258**	**183,538**	**247,225**	**247,225**	**247,225**
Curr. Assets, Loans&Adv.	**301,576**	**333,617**	**377,682**	**401,088**	**482,427**	**589,739**	**724,681**
Inventory	89,251	105,131	98,683	102,433	114,929	135,764	149,486
Account Receivables	104,846	114,385	112,494	130,461	155,097	163,710	181,105
Cash and Bank Balance	50,334	57,703	105,207	113,316	116,031	185,266	277,934
Loans and Advances	57,146	56,399	61,299	54,878	96,370	104,999	116,155
Curr. Liability & Prov.	**174,195**	**145,106**	**149,282**	**175,525**	**204,458**	**221,330**	**244,441**
Account Payables	50,898	59,860	60,172	61,843	73,338	78,469	86,400
Other Current Liabilities	26,372	25,185	27,279	47,480	66,558	72,517	80,223
Provisions	96,925	60,060	61,832	66,202	64,562	70,343	77,817
Net Current Assets	**127,381**	**188,512**	**228,400**	**225,563**	**277,968**	**368,409**	**480,240**
Appl. of Funds	**495,387**	**627,141**	**664,311**	**701,403**	**883,393**	**969,587**	**1,075,813**

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)							
EPS	**31.4**	**35.9**	**41.5**	**47.1**	**46.8**	**50.3**	**57.8**
Cash EPS	40.3	46.4	52.2	57.9	59.0	63.3	72.0
BV/Share	200.1	233.4	265.4	301.0	348.3	385.4	430.9
DPS	10.0	11.5	13.5	10.5	10.5	10.5	10.5
Payout (%)	90.3	41.6	39.7	27.1	25.8	24.9	21.3
Valuation (x)							
P/E	63.4	55.4	47.9	42.2	42.5	39.6	34.4
Cash P/E	49.3	42.9	38.1	34.4	33.7	31.4	27.6
P/BV	9.9	8.5	7.5	6.6	5.7	5.2	4.6
EV/Sales	12.3	11.1	9.8	9.1	8.1	7.4	6.5
EV/EBITDA	46.6	41.2	36.2	33.0	29.8	26.5	23.2
FCF per share	31.5	12.1	41.5	50.0	37.1	32.7	41.0
Return Ratios (%)							
RoE	15.9	16.6	16.7	16.6	14.4	13.7	14.2
RoCE	13.2	15.8	15.8	16.0	14.2	13.3	14.0
RoIC	19.3	24.5	25.0	24.8	21.8	20.4	23.1
Working Capital Ratios							
Fixed Asset Turnover (x)	1.2	1.2	1.3	1.2	1.1	1.2	1.2
Inventory (Days)	85	89	75	72	73	79	78
Debtor (Days)	100	96	86	92	98	95	95
Creditor (Days)	48	50	46	44	46	46	45
Leverage Ratio (x)							
Current Ratio	1.7	2.3	2.5	2.3	2.4	2.7	3.0
Net Debt/Equity	-0.3	-0.2	-0.3	-0.4	-0.4	-0.4	-0.5

Cash Flow Statement

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	44,813	94,084	110,879	137,520	151,189	163,117	184,539
Depreciation	21,437	25,294	25,566	25,754	29,379	31,246	34,106
Interest & Finance Charges	-4,260	-2,125	-7,844	2,314	3,389	3,604	2,988
Direct Taxes Paid	9,692	-15,098	-15,694	-4,768	-23,139	-43,822	-45,212
(Inc)/Dec in WC	15,591	-56,618	10,621	-3,235	-12,678	-24,317	-23,186
CF from Operations	**87,273**	**45,537**	**123,528**	**157,584**	**148,140**	**129,829**	**153,234**
Others	2,572	4,057	-2,178	-16,864	-23,948	-24,420	-26,382
CF from Operating incl EO	**89,845**	**49,593**	**121,350**	**140,721**	**124,191**	**105,409**	**126,852**
(Inc)/Dec in FA	-14,344	-20,646	-21,710	-20,648	-35,133	-27,000	-28,500
Free Cash Flow	**75,501**	**28,948**	**99,640**	**120,073**	**89,059**	**78,409**	**98,352**
(Pur)/Sale of Investments	-34,333	-9,119	10,900	-28,912	-46,367	0	0
Others	-8,571	-49,671	3,908	-3,501	-31,942	3,111	4,023
CF from Investments	**-57,248**	**-79,436**	**-6,902**	**-53,061**	**-113,441**	**-23,889**	**-24,477**
Issue of Shares	0	0	0	0	0	0	0
Inc/(Dec) in Debt	-27,654	50,283	-35,130	-9,821	17,920	-3,500	-3,500
Interest Paid	-732	-1,325	-2,190	-2,238	-3,314	20,816	23,394
Dividend Paid	-21,692	-25,197	-29,007	-36,173	-39,378	-29,601	-29,601
CF from Fin. Activity	**-51,935**	**23,761**	**-67,102**	**-79,058**	**-25,125**	**-12,286**	**-9,707**
Inc/Dec of Cash	**-19,337**	**-6,082**	**47,347**	**8,602**	**-14,374**	**69,235**	**92,668**
Opening Balance	**64,456**	**50,334**	**57,703**	**105,207**	**113,316**	**116,031**	**185,266**
Other Bank Balances	5,215	13,451	157	-492	17,089	0	0
Closing Balance	**50,334**	**57,703**	**105,207**	**113,316**	**116,031**	**185,266**	**277,934**

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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