

Sun Pharma

Estimate change

TP change

Rating change



Bloomberg	SUNP IN
Equity Shares (m)	2399
M.Cap.(INRb)/(USD\$)	4094.8 / 46.7
52-Week Range (INR)	1960 / 1553
1, 6, 12 Rel. Per (%)	5/-7/0
12M Avg Val (INR M)	3975

Financials & valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	516.6	571.9	630.9
EBITDA	141.7	160.9	183.0
Adj. PAT	113.1	122.8	146.5
EBIT Margin (%)	22.4	23.4	24.6
Adj. EPS (INR)	47.1	51.2	61.1
EPS Gr. (%)	13.4	8.6	19.3
BV/Sh. (INR)	301.0	341.8	390.5

Ratios

Net D:E	-0.4	-0.4	-0.5
RoE (%)	16.6	15.9	16.7
RoCE (%)	16.0	15.9	16.6
Payout (%)	27.1	23.2	20.2

Valuations

P/E (x)	36.2	33.3	27.9
EV/EBITDA (x)	28.2	24.3	20.8
Div. Yield (%)	0.6	0.6	0.6
FCF Yield (%)	2.9	1.9	2.3
EV/Sales (x)	7.7	6.8	6.0

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	54.5	54.5	54.5
DII	19.5	18.7	19.3
FII	17.3	18.0	17.2
Others	8.8	8.9	9.0

FII includes depository receipts

CMP: INR1,707

TP: INR1,960 (+15%)

Buy

Innovative/branded portfolio drives earnings

Leqselvi launch and Illumya filings to augment specialty portfolio

- Sun Pharmaceutical Industries' (SUNP) 1QFY26 revenue and EBITDA were 3%/9% better than our estimates. However, Adj. PAT was lower than expected (6% miss) due to lower other income and a higher tax rate.
- SUNP has exhibited eight consecutive quarters of healthy double-digit YoY revenue growth in the domestic formulation (DF) segment, led by new launches, market share gains, and increased reach.
- In addition to steady traction in the Global specialty (renamed as global innovative medicines) portfolio, SUNP continues to expand its portfolio through the launch of Leqselvi, thereby driving its dermatology offerings.
- SUNP has discontinued R&D related to SCD-044, resulting in a charge of INR2.9b in P&L for the quarter. It has completed Ph-III for Illumya related to psoriatic arthritis, with regulatory filing expected by end-CY25.
- SUNP continues to work on addressing USFDA regulatory issues at Halol, Mohali, and Dadra.
- We have reduced our earnings estimates by 5%/4% for FY26/FY27, factoring in: a) higher opex for the branded business and b) higher tax rate. We value SUNP at 32x 12M forward earnings to arrive at a TP of INR1,960.
- We await clarity on the US tariff implications on SUNP's innovative medicines portfolio. That said, SUNP is strengthening its innovative medicines franchise through portfolio expansion and marketing activities. The company is also reinforcing its branded portfolio while maintaining cost competitiveness in the generics business. We expect 14% earnings CAGR over FY25-27. Reiterate BUY.

Better product mix to drive operational margins

- SUNP's sales grew 10% YoY to INR137.9b (vs our est: INR134.2b).
- DF sales grew 13.9% YoY to INR47b (34% of sales).
- US sales grew 4% YoY to INR40.4b (USD473m in CC terms; 29% of sales).
- EM sales grew 7.7% YoY to INR25.5b (19% of sales). ROW sales grew 18.5% YoY to INR18.7b (14% of sales).
- Gross margin expanded 90bp YoY to 79.6% for the quarter.
- EBITDA margin expanded 90bp to 29.1% (vs our est: 27.5%).
- Accordingly, EBITDA grew at 13.5% YoY to INR40.1b for the quarter (vs our est: INR36.9).
- SUNP had an exceptional item related to: a) the discontinuation of development work for SCD044 (INR2.9b) and b) settlement agreement of Taro/Sun with plaintiffs (INR5.3b)
- Adj. for the same and related tax, PAT was INR30b (our est: INR31.8b), up 9% YoY.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Highlights from the management commentary

- With Ph-III completed for psoriatic arthritis, SUNP intends to file Illumya for this indication by the end of CY25.
- SUNP is planning to launch Unloxcyt in 2HFY26. The company has recently launched Leqselvi and seen encouraging prescriptions.
- 1QFY26 sales of G-Revlimid were slightly higher QoQ.
- SUNP launched 4/5 products in the US/India market in 1QFY26.
- The company maintained its guidance of R&D expenses at 6-8% of sales for FY26.

Quarterly Performance

(INR m)

Y/E March	FY25				FY26E				FY25	FY26	FY26	Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1Q	%
Net Sales	125,245	132,642	130,569	128,156	137,861	141,281	146,486	146,256	516,612	571,883	134,217	2.7
YoY Change (%)	6.3	10.5	7.4	8.5	10.1	6.5	12.2	14.1	8.2	10.7	7.2	
EBITDA	35,298	37,837	35,738	32,816	40,073	39,982	40,870	39,928	141,689	160,853	36,876	8.7
Margins (%)	28.2	28.5	27.4	25.6	29.1	28.3	27.9	27.3	27.4	28.1	27.5	
Depreciation	6,551	6,259	6,306	6,638	7,006	6,496	6,735	6,724	25,754	26,961	6,276	
EBIT	28,747	31,578	29,433	26,178	33,067	33,487	34,135	33,203	115,936	133,892	30,600	
Interest	615	692	515	491	748	439	439	439	2,314	2,064	439	
Other Income	6,608	3,811	7,041	7,561	5,298	7,437	8,081	8,774	25,022	29,590	9,613	
PBT before EO expense	34,740	34,697	35,959	33,248	37,617	40,485	41,777	41,539	138,644	161,419	39,775	
Extra-Ord expense	505	-1,281	1,195	705	5,890	0	0	0	1,123	5,890	0.0	
PBT	34,235	35,978	34,764	32,543	31,728	40,485	41,777	41,539	137,520	155,529	39,775	
Tax	5,523	5,672	5,589	10,937	8,702	9,919	10,444	10,177	27,720	39,242	7,876	
Rate (%)	16.1	15.8	16.1	33.6	27.4	24.5	25.0	24.5	20.2	25.2	20	
Minority Interest & Profit/Loss of Asso. Cos.	356	-95	142	108	240	120	130	133	511	623	110	
Reported PAT	28,356	30,401	29,034	21,498	22,786	30,446	31,203	31,229	109,289	115,664	31,790	
Adj PAT	27,494	29,052	27,637	28,891	29,961	30,446	31,203	31,229	113,075	122,839	31,790	-5.8
YoY Change (%)	20.4	20.8	11.6	3.0	9.0	10.7	7.4	13.0	13.4	8.6	15.6	
Margins (%)	22.0	21.9	21.2	22.5	21.7	21.6	21.3	21.4	21.9	21.5	23.7	

Key performance Indicators (Consolidated)

No of Shares (mn)	FY25				FY26				FY25	FY26	1QE
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Domestic formulations	41,445	42,652	43,004	42,129	47,211	47,770	48,680	47,816	169,229	191,477	46,211
YoY Change (%)	16.4	11.0	13.8	13.6	13.9	12.0	13.2	13.5	13.7	13.1	11.5
US sales	38,894	43,274	40,030	40,204	40,452	42,484	43,051	45,212	162,403	171,200	39,046
YoY Change (%)	0.5	21.9	0.7	1.7	4.0	-1.8	7.5	12.5	5.8	5.4	0.4
ROW+EM	39,509	41,152	41,424	39,901	44,267	45,030	48,159	46,684	161,986	184,141	42,906
YoY Change (%)	5.4	1.7	6.9	8.9	12.0	0.1	0.2	0.2	5.7	13.7	0.1
APIs	4,946	5,338	5,678	5,330	5,404	5,498	6,132	5,970	21,292	23,004	5,539
YoY Change (%)	-8.3	7.4	21.8	28.2	9.3	3.0	8.0	12.0	11.0	8.0	12.0
Cost Break-up											
RM Cost (% of Sales)	21.4	20.3	21.0	20.6	20.4	20.5	20.7	20.8	20.8	20.6	20.4
Staff Cost (% of Sales)	19.6	18.7	19.5	19.4	20.3	20.4	20.3	20.4	19.3	20.4	18.6
R&D Expenses(% of Sales)	6.3	6.0	6.5	6.4	5.6	6.3	7.1	7.0	6.3	6.5	6.2
Other Cost (% of Sales)	24.5	26.5	25.6	28.0	24.6	24.5	24.0	24.5	26.2	24.4	27.3
Gross Margins(%)	78.6	79.7	79.0	79.4	79.6	79.5	79.3	79.2	79.2	79.4	0.8
EBITDA Margins(%)	28.2	28.5	27.4	25.6	29.1	28.3	27.9	27.3	27.4	28.1	27.5
EBIT Margins(%)	23.0	23.8	22.5	20.4	24.0	23.7	23.3	22.7	22.4	23.4	22.8



Key takeaways from the management interaction

- Global innovative medicines sales were USD311m for the quarter. The quarter did not have any major milestone income.
- SUNP witnessed majority of YoY growth in the DF market, led by volume and new launches for the past 12M.
- SUNP indicated that USD100m will be a direct operating cost related to marketing/promotional spend and addition of MRs for innovative medicines.
- The ETR is expected to be 25% for FY26.
- The CC growth in sales for EM/ROW was 4%/15% in 1QFY26.

Exhibit 1: Global specialty pipeline

Candidate	Indication	Current Phase	Next Milestone
Unloxcyt	❖ metastatic cutaneous squamous cell carcinoma (cSCC)/locally advanced cSCC	❖ Approved in the US	❖ To be launched
NidleglyTM (EU, ANZ rights with Sun)	❖ Melanoma and Melanoma Skin Cancers	❖ Phase-3 completed. Original application to EMA withdrawn.	❖ Filing with EMA to be planned
Ilumya	❖ Psoriatic Arthritis	❖ Phase-3 completed	❖ Regulatory filing by the end of CY25
Fibromun	❖ soft tissue sarcomas/ glioblastoma	❖ Phase-3/Phase-2	❖ Regulatory filing
GL0034	❖ Type-2 Diabetes	❖ Phase 1 completed	❖ Phase-2 to start during 2HCY25
MM-II	❖ Pain in Osteoarthritis	❖ Phase 2 completed	❖ To enter partnership for commercialization

Source: Company, MOFSL

Specialty expansion and robust core market supports long-term growth

Global specialty segment – On growth trajectory; new launches to augment scale

- In 1QFY26, SUNP's specialty sales grew 17% YoY to USD311m. Interestingly, the contribution of global specialty has been on an increasing trajectory from 18% in FY24 to ~20% in 1QFY26, reflecting superior growth in this segment.
- Flagship products such as Illumya, Winlevi, Cequa, and Odomzo continue to perform well globally.
- In addition, SUNP is set to launch Unloxcyt in H2FY26, adding a product to the specialty portfolio.
- A substantial portion of investments in the Specialty business, including the acquisitions of Concert Pharmaceuticals and Checkpoint Therapeutics, is yet to generate meaningful revenue, and is expected to deliver returns over a longer period.
- It also has certain products in R&D at various stages of development. Out of these products, SUNP has strategically decided to look for a partner to commercialize MM-II.
- We expect a 17% sales CAGR in the specialty portfolio to reach USD1.7b over FY25-27.

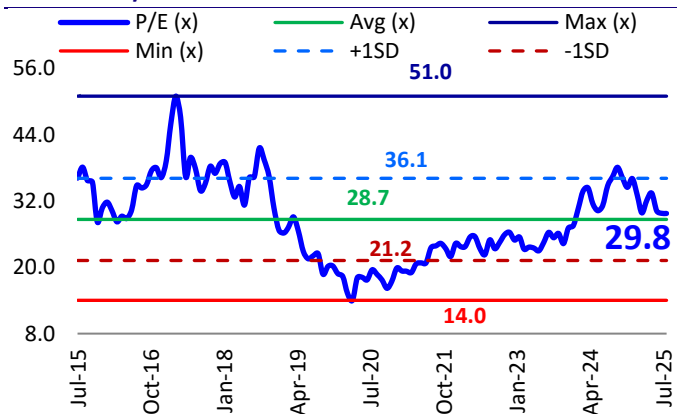
Strong momentum in DF/EM; ROW also witnesses uptrend for the quarter

- In 1QFY26, DF sales grew 14% YoY to INR47b. In FY25, SUNP posted industry-beating, led by new launches and superior traction from existing brands.
- SUNP has sustained its quarterly launch momentum with five products in 1QFY26.
- Broad-based growth was seen across all therapies, with Diabetes outperforming growth on a YoY basis. Anti-Diabetic/CNS/Cardiac/Gastro-intestinal/AI/Pain posted 17.5%/12.7%/12.7%/12.3%/11%/10.3% YoY growth as per IQVIA Jun'25.
- We expect SUNP to post a 12% sales CAGR over FY25-27, reaching INR212b.
- In 1QFY26, EM sales grew 7.7% YoY to INR25.5b. Among the emerging markets Romania, Russia, and South Africa delivered strong performance.
- In 1QFY26, ROW sales grew 18.5% YoY to INR18.7b, driven by one-time sales. This comes after SUNP witnessed a moderation in growth during FY25.
- Overall, we expect 12% sales in EM+ROW markets to reach INR203b in revenue over FY25-27.

Reiterate BUY

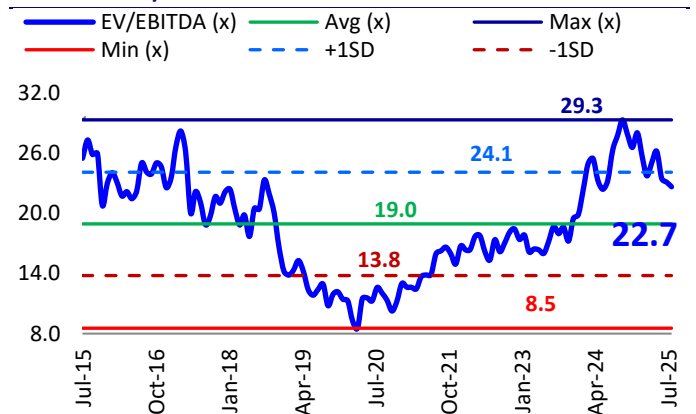
- We reduced our earnings estimates by 5%/4% for FY26/FY27, factoring in: a) higher opex for branded business and b) higher tax rate. We value SUNP at 32x 12M forward earnings to arrive at a TP of INR1,960.
- We await further clarity on US tariff implications on SUNP's innovative medicines portfolio. That said, SUNP is strengthening its innovative medicines franchise through portfolio expansion as well as marketing activities. It is fortifying its branded portfolio while maintaining its cost competitiveness in the generics business. We expect a 14% earnings CAGR over FY25-27. Reiterate BUY.

Exhibit 2: P/E chart



Source: MOFSL, Company, Bloomberg

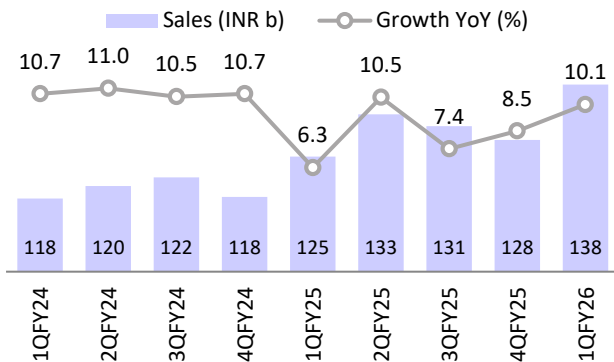
Exhibit 3: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

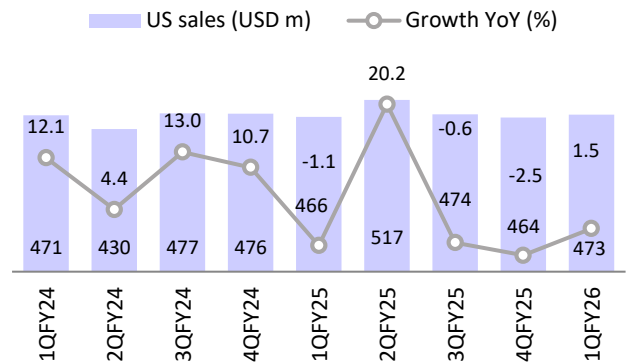
Story in charts

Exhibit 4: Revenue rose 10.1% YoY in 1QFY26



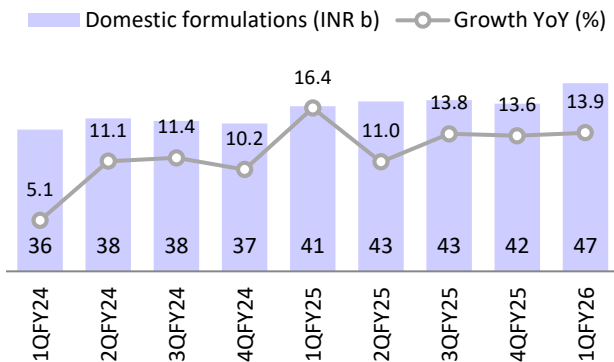
Source: Company, MOFSL

Exhibit 5: US sales grew 1.5% YoY in CC terms



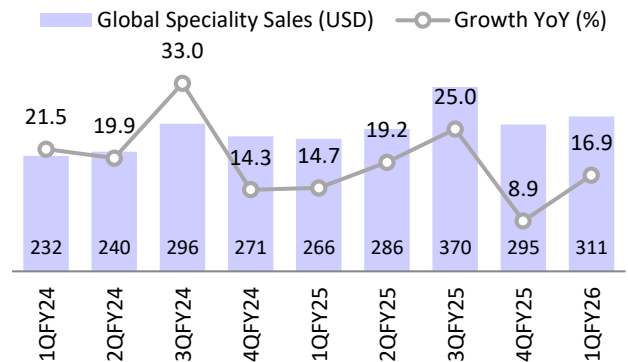
Source: Company, MOFSL

Exhibit 6: DF sales grew 14% YoY in 1QFY26



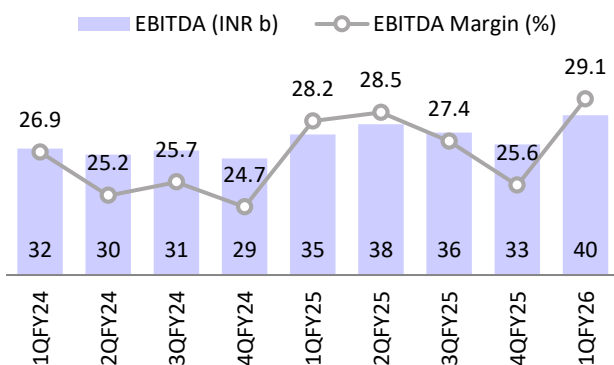
Source: Company, MOFSL

Exhibit 7: Specialty sales rose 16.9% YoY in 1QFY26



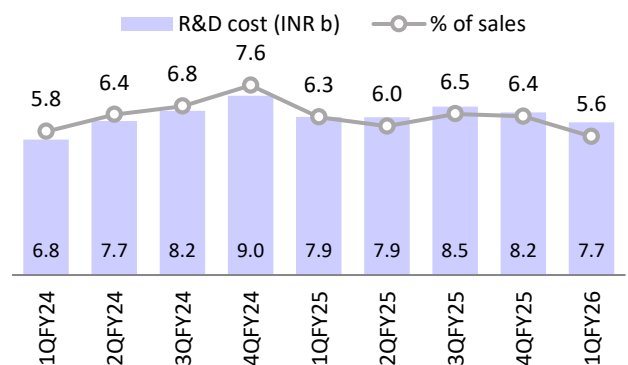
Source: Company, MOFSL

Exhibit 8: EBITDA margin expanded 90bp YoY in 1QFY26



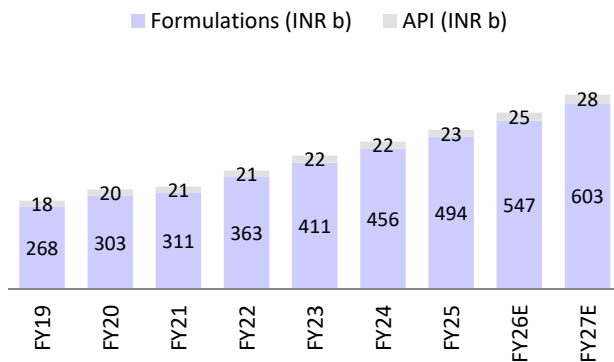
Source: Company, MOFSL

Exhibit 9: R&D costs stood at 5.6% of sales in 1QFY26



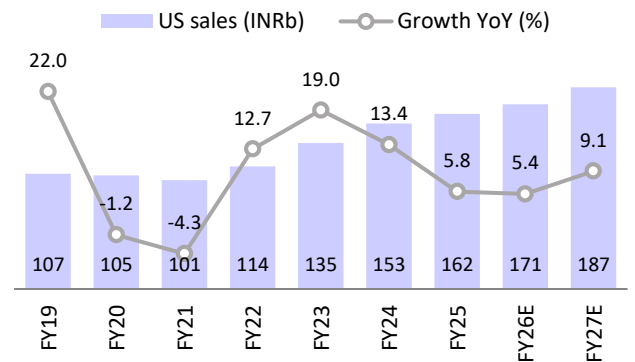
Source: Company, MOFSL

Exhibit 10: Expect 11% revenue CAGR over FY25-27



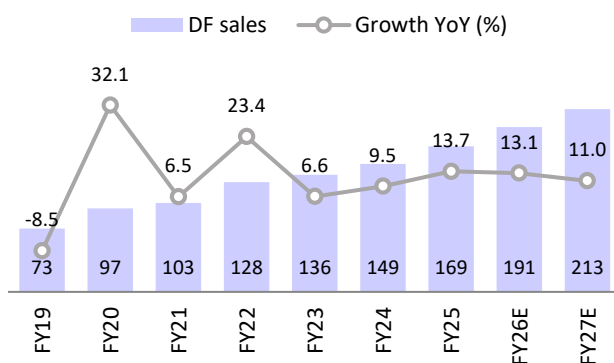
Source: Company, MOFSL

Exhibit 11: Expect 7% CAGR in US sales over FY25-27



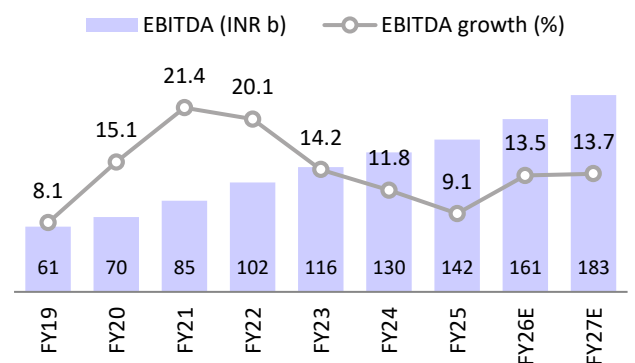
Source: Company, MOFSL

Exhibit 12: Expect DF sales CAGR of 12% over FY25-27



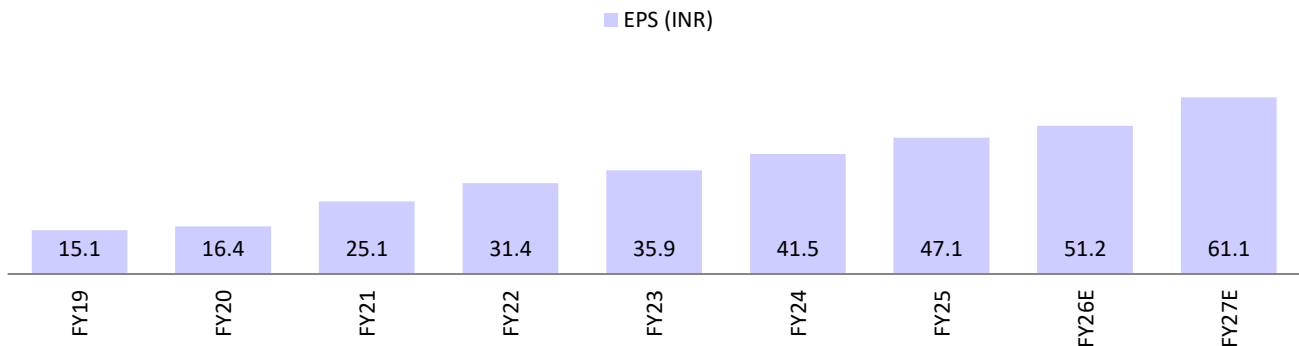
Source: Company, MOFSL

Exhibit 13: Expect EBITDA CAGR of 14% over FY25-27



Source: Company, MOFSL

Exhibit 14: Expect 14% EPS CAGR over FY25-27



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	323,252	332,331	384,264	432,789	477,585	516,612	571,883	630,894
Change (%)	12.7	2.8	15.6	12.6	10.4	8.2	10.7	10.3
EBITDA	69,741	84,678	101,688	116,142	129,871	141,689	160,853	182,959
Margin (%)	21.6	25.5	26.5	26.8	27.2	27.4	28.1	29.0
Depreciation	20,528	20,800	21,437	25,294	25,566	25,754	26,961	27,729
EBIT	49,214	63,879	80,250	90,847	104,305	115,936	133,892	155,230
Int. and Finance Charges	3,027	1,414	1,274	1,720	2,385	2,314	2,064	1,145
Other Income	6,360	8,355	7,528	6,345	13,542	25,022	29,590	29,909
PBT bef. EO Exp.	52,546	70,819	86,504	95,473	115,462	138,644	161,419	183,994
EO Items	-2,450	-42,825	-43,191	-1,389	-4,581	-1,123	5,890	0
PBT after EO Exp.	50,096	27,994	43,313	94,084	110,881	137,520	167,308	183,994
Total Tax	8,228	5,147	10,755	8,476	14,395	27,720	39,242	36,799
Tax Rate (%)	16.4	18.4	24.8	9.0	13.0	20.2	23.5	20.0
Minority Interest	4,219	-6,191	1,331	873	721	511	623	650
Reported PAT	37,649	29,039	31,227	84,735	95,766	109,289	127,444	146,545
Adjusted PAT	39,466	60,242	75,265	86,066	99,688	113,075	122,839	146,545
Change (%)	8.7	52.6	24.9	14.4	15.8	13.4	8.6	19.3
Margin (%)	12.2	18.1	19.6	19.9	20.9	21.9	21.5	23.2

Consolidated - Balance Sheet

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	2,399	2,399	2,399	2,399	2,399	2,399	2,399	2,399
Total Reserves	450,245	462,229	477,713	557,555	634,268	719,781	817,623	934,567
Net Worth	452,645	464,628	480,112	559,954	636,668	722,180	820,022	936,967
Minority Interest	38,602	30,171	30,549	33,201	34,392	2,679	3,302	3,952
Total Loans	83,149	38,686	12,903	68,859	32,737	18,696	13,196	9,696
Deferred Tax Liabilities	-31,172	-35,119	-28,177	-34,872	-39,486	-42,153	-42,153	-42,153
Capital Employed	543,224	498,365	495,387	627,141	664,311	701,403	794,368	908,462
Gross Block	286,345	292,914	321,161	347,419	356,848	427,042	449,417	474,891
Less: Accum. Deprn.	122,691	140,260	160,422	190,345	210,723	236,477	263,438	291,167
Net Fixed Assets	163,655	152,653	160,739	157,074	146,124	190,565	185,979	183,724
Goodwill on Consolidation	64,815	62,876	65,913	83,580	85,990	89,394	89,394	89,394
Capital WIP	12,203	15,668	12,868	49,732	53,539	12,343	14,969	16,494
Total Investments	101,431	96,125	128,486	148,243	150,258	183,538	183,538	183,538
Curr. Assets, Loans&Adv.	308,668	313,780	301,576	333,617	377,682	401,088	516,152	651,457
Inventory	78,750	89,970	89,251	105,131	98,683	102,433	119,368	133,767
Account Receivables	94,212	90,614	104,846	114,385	112,494	130,461	145,713	164,205
Cash and Bank Balance	64,876	64,455	50,334	57,703	105,207	113,316	190,323	286,467
Loans and Advances	70,830	68,741	57,146	56,399	61,299	54,878	60,749	67,018
Curr. Liability & Prov.	107,548	142,738	174,195	145,106	149,282	175,525	195,663	216,145
Account Payables	36,645	43,122	50,898	59,860	60,172	61,843	69,819	77,315
Other Current Liabilities	25,409	48,728	26,372	25,185	27,279	47,480	52,560	57,983
Provisions	45,494	50,889	96,925	60,060	61,832	66,202	73,284	80,846
Net Current Assets	201,121	171,042	127,381	188,512	228,400	225,563	320,489	435,313
Appl. of Funds	543,224	498,365	495,387	627,141	664,311	701,403	794,368	908,462

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)								
EPS	16.4	25.1	31.4	35.9	41.5	47.1	51.2	61.1
Cash EPS	25.0	33.8	40.3	46.4	52.2	57.9	62.4	72.6
BV/Share	188.7	193.7	200.1	233.4	265.4	301.0	341.8	390.5
DPS	4.0	7.5	10.0	11.5	13.5	10.5	10.5	10.5
Payout (%)	30.0	72.8	90.3	41.6	39.7	27.1	23.2	20.2
Valuation (x)								
P/E	103.7	67.9	54.4	47.5	41.0	36.2	33.3	27.9
Cash P/E	68.2	50.5	42.3	36.7	32.7	29.5	27.3	23.5
P/BV	9.0	8.8	8.5	7.3	6.4	5.7	5.0	4.4
EV/Sales	12.7	12.2	10.5	9.5	8.4	7.7	6.8	6.0
EV/EBITDA	58.9	48.0	39.9	35.3	30.9	28.2	24.3	20.8
FCF per share	21.3	21.2	31.5	12.1	41.5	50.0	32.6	39.1
Return Ratios (%)								
RoE	9.1	13.1	15.9	16.6	16.7	16.6	15.9	16.7
RoCE	8.8	11.3	13.2	15.8	15.8	16.0	15.9	16.6
RoIC	11.3	15.2	19.3	24.5	25.0	24.8	25.7	30.0
Working Capital Ratios								
Fixed Asset Turnover (x)	1.1	1.1	1.2	1.2	1.3	1.2	1.3	1.3
Inventory (Days)	89	99	85	89	75	72	76	77
Debtor (Days)	106	100	100	96	86	92	93	95
Creditor (Days)	41	47	48	50	46	44	45	45
Leverage Ratio (x)								
Current Ratio	2.9	2.2	1.7	2.3	2.5	2.3	2.6	3.0
Net Debt/Equity	-0.2	-0.3	-0.3	-0.2	-0.3	-0.4	-0.4	-0.5

Consolidated - Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	50,096	27,994	44,813	94,084	110,879	137,520	167,308	183,994
Depreciation	20,528	20,800	21,437	25,294	25,566	25,754	26,961	27,729
Interest & Finance Charges	-519	-697	-4,260	-2,125	-7,844	2,314	2,064	1,145
Direct Taxes Paid	-13,459	-10,029	9,692	-15,098	-15,694	-4,768	-39,242	-36,799
(Inc)/Dec in WC	8,986	25,641	15,591	-56,618	10,621	-3,235	-24,211	-25,396
CF from Operations	65,631	63,708	87,273	45,537	123,528	157,584	132,880	150,673
Others	-84	-2,004	2,572	4,057	-2,178	-16,864	-29,590	-29,909
CF from Operating incl EO	65,548	61,704	89,845	49,593	121,350	140,721	103,290	120,765
(Inc)/Dec in FA	-14,500	-10,730	-14,344	-20,646	-21,710	-20,648	-25,000	-27,000
Free Cash Flow	51,048	50,973	75,501	28,948	99,640	120,073	78,290	93,765
(Pur)/Sale of Investments	-15,518	11,671	-34,333	-9,119	10,900	-28,912	0	0
Others	4,130	4,422	-8,571	-49,671	3,908	-3,501	6,291	6,717
CF from Investments	-25,888	5,362	-57,248	-79,436	-6,902	-53,061	-18,709	-20,283
Issue of Shares	0	4,250	0	0	0	0	0	0
Inc/(Dec) in Debt	-33,419	-43,170	-27,654	50,283	-35,130	-9,821	-5,500	-3,500
Interest Paid	-2,719	-1,443	-732	-1,325	-2,190	-2,238	27,527	28,764
Dividend Paid	-13,993	-15,862	-21,692	-25,197	-29,007	-36,173	-29,601	-29,601
CF from Fin. Activity	-57,151	-59,805	-51,935	23,761	-67,102	-79,058	-7,575	-4,337
Inc/Dec of Cash	-17,492	7,261	-19,337	-6,082	47,347	8,602	77,007	96,144
Opening Balance	72,756	64,876	64,456	50,334	57,703	105,207	113,316	190,323
Other Bank Balances	9,611	-7,681	5,215	13,451	157	-492		
Closing Balance	64,876	64,456	50,334	57,703	105,207	113,316	190,323	286,467

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