

31 January 2026

Strong show despite concerns

Sun Pharma (SUNP IN) reported better than expected Q3FY26, with revenue, EBITDA and PAT (adjusted for one-off expenses and tax credits) coming better than our estimates by 6%, 14% and 23%, respectively. One-off innovative-products-related licensing income of USD 55mn helped. Excluding that, EBITDA was still 3% better than our estimate. All major businesses, except the US business, performed well. Global specialty business continues to grow, though Q3 was softer. Recent launches of *Legselvi* and *Unloxcyt* will add to the growth. India growth at 16% and other EM constant currency growth at 13% surpassed expectations. Large product launch expenses, as earlier guided by the management, seem to be finally hitting the P&L. Still, we expect current margins to sustain in the near term and improve in the medium term. We raise our FY26E-FY28E core EPS estimates by 4-6%. We see the recent correction as an opportunity to buy. We upgrade SUNP to Buy from Accumulate and retain our target price at INR 1,968.

Specialty plans progress well: Revenue from the global specialty business grew 13.2% YoY in Q3, adjusted for milestone income. This segment has become more global with the launch of *Ilumya* in multiple markets outside the US and Europe, including India and China. SUNP has recently launched *Legselvi* (Deuruxolitinib for alopecia areata) and *Unloxcyt* (cosibelimab for skin cancer). These will add to growth in FY27. We believe these acquired products can help sustain growth rate for SUNP's innovative products segment, even as *Ilumya* matures. We estimate each of them to be a +USD 200mn product in 3-4 years.

US generics weak: US generics continued to be weak, down YoY. While lower sales of one-off *gRevlimid* contributed to the weakness, management indicated that there was price erosion in some other products as well. There is no clear visibility of significant improvement in the performance of this business.

India and RoW – Strong show; semaglutide to help next year: India business grew 16% YoY, continuing the strong performance of past few quarters. RoW (19% YoY excluding milestone income) and EM (28% YoY) formulations business growth were helped by INR depreciation. Management indicated constant currency growth of 13% in EMs. Expect these businesses to grow in low double-digit percentage consistently. These businesses could benefit from the opening up of the semaglutide market to generic players. SUNP management confirmed that it will enter the India market on day-1 and is a filer in Canada.

Product launch expenses pick up; margin outlook stable: Large product launch expenses, as earlier guided by the management, seem to be finally hitting the P&L. We expect these to weigh on margins for the next 3-4 quarters. Still we believe the current margins will sustain in FY27 and likely improve in FY28.

Upgrade to BUY; TP unchanged at INR 1,968: We raise our FY26E-28E core EPS estimates by 4-6%. SUNP trades at 31.2x FY27E core P/E. We see recent correction as an opportunity to buy. So, we upgrade SUNP to Buy from Accumulate, but retain our target price at INR 1,968, which is 33.9x FY28E core P/E plus cash per share. Slower-than-expected ramp up in key innovative product sales in the US and US trade tariffs are key risks.

Key Financials

YE March (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR mn)	484,969	525,784	582,852	651,117	714,389
YoY (%)	10.5	8.4	10.9	11.7	9.7
EBITDA (INR mn)	129,870	150,862	164,361	186,640	207,128
EBITDA margin (%)	26.8	28.7	28.2	28.7	29.0
Adj PAT (INR mn)	100,707	119,844	119,500	134,864	149,899
YoY (%)	13.0	14.1	1.2	21.9	11.1
Fully DEPS (INR)	42.0	49.9	49.8	56.2	62.5
RoE (%)	15.9	17.2	15.7	16.0	15.8
RoCE (%)	15.4	17.3	17.5	18.0	18.2
P/E (x)	38.0	31.9	32.0	28.4	25.5
EV/EBITDA (x)	27.8	23.9	21.9	19.3	17.4

Note: Pricing as on 30 January 2026; Source: Company, Elara Securities Estimate

Rating: Buy

Target Price: INR 1,968

Upside: 23%

CMP: INR 1,595

As on 30 January 2026

Key data

Bloomberg	SUNP IN
Reuters Code	SUN.NS
Shares outstanding (mn)	2,399
Market cap (INR bn/USD mn)	3,828/41,609
EV (INR bn/USD mn)	3,604/39,178
ADTV 3M (INR mn/USD mn)	3,944/43
52 week high/low	1,851/1,547
Free float (%)	44

Note: as on 30 January 2026; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26
Promoter	54.5	54.5	54.5	54.5
% Pledge	0.7	0.9	1.0	1.0
FII	18.0	17.3	16.6	16.1
DII	18.9	19.5	20.2	20.8
Others	8.6	8.8	8.7	8.6

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(1.6)	3.1	7.8
Sun Pharmaceuticals	(5.6)	(6.5)	(8.5)
NSE Mid-cap	(2.1)	2.4	8.3
NSE Small-cap	(9.0)	(6.5)	(1.2)

Source: Bloomberg

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Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	484,969	525,784	582,852	651,117	714,389
Gross Profit	378,342	418,311	465,113	514,382	564,368
EBITDA	129,870	150,862	164,361	186,640	207,128
EBIT	104,304	125,108	135,237	153,929	174,174
Interest expense	2,385	2,314	3,330	478	536
Other income	13,903	21,506	27,767	27,767	27,767
Exceptional/ Extra-ordinary items	(4,943)	(10,553)	(8,854)	-	-
PBT	110,879	133,747	150,819	181,217	201,404
Tax	14,395	23,946	39,219	45,304	50,351
Minority interest/Associates income	(721)	(511)	(954)	(1,050)	(1,154)
Reported PAT	95,764	109,290	110,646	134,864	149,899
Adjusted PAT	100,707	119,844	119,500	134,864	149,899
Balance Sheet (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Shareholders' Equity	636,668	722,180	793,483	888,908	999,263
Minority Interest	34,392	2,679	3,633	4,683	5,837
Trade Payables	56,533	81,322	71,144	78,961	86,234
Provisions & Other Current Liabilities	84,861	81,949	96,253	106,830	116,670
Total Borrowings	28,457	18,696	7,971	8,936	10,051
Other long term liabilities	13,718	14,179	14,179	14,179	14,179
Total liabilities & equity	854,629	921,006	986,663	1,102,496	1,232,234
Net Fixed Assets	113,001	112,703	106,736	99,961	96,054
Goodwill	85,990	89,394	89,394	89,394	89,394
Intangible assets	86,663	90,205	121,161	126,481	126,481
Business Investments / other NC assets	134,645	102,763	102,763	102,763	102,763
Cash, Bank Balances & treasury investments	191,702	250,361	263,526	345,317	446,060
Inventories	98,683	102,433	116,570	130,223	142,878
Sundry Debtors	112,494	130,461	145,713	162,779	178,597
Other Current Assets	31,452	42,685	40,800	45,578	50,007
Total Assets	854,629	921,006	986,663	1,102,496	1,232,234
Cash Flow Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Cashflow from Operations	121,350	140,721	100,810	123,183	139,835
Capital expenditure	(21,710)	(20,676)	(23,157)	(25,936)	(29,048)
Acquisitions / divestitures	8,601	(31,640)	(30,956)	(5,319)	-
Other Business cashflow	-	-	-	-	-
Free Cash Flow	108,241	88,405	46,697	91,928	110,787
Cashflow from Financing	(68,381)	(29,747)	(33,532)	(10,136)	(10,044)
Net Change in Cash / treasury investments	39,860	58,659	13,165	81,791	100,743
Key assumptions & Ratios	FY24	FY25	FY26E	FY27E	FY28E
Dividend per share (INR)	13.5	16.0	16.0	16.0	17.0
Book value per share (INR)	265.4	301.0	330.7	370.5	416.5
RoCE (Pre-tax) (%)	15.4	17.3	17.5	18.0	18.2
ROIC (Pre-tax) (%)	20.6	25.0	26.1	28.0	30.9
ROE (%)	15.9	17.2	15.7	16.0	15.8
Asset Turnover (x)	4.3	4.7	5.3	6.3	7.3
Net Debt to Equity (x)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)
Net Debt to EBITDA (x)	(1.3)	(1.5)	(1.6)	(1.8)	(2.1)
Interest cover (x) (EBITDA/ int exp)	54.5	65.2	49.4	390.2	386.3
Total Working capital days (WC/rev)	231.5	261.9	262.9	294.7	328.6
Valuation	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	38.0	31.9	32.0	28.4	25.5
P/Sales (x)	7.9	7.3	6.6	5.9	5.4
EV/ EBITDA (x)	27.8	23.9	21.9	19.3	17.4
EV/ OCF (x)	29.7	25.6	35.8	29.3	25.8
FCF Yield	3.0	2.5	1.3	2.6	3.1
Price to BV (x)	6.0	5.3	4.8	4.3	3.8
Dividend yield (%)	0.8	1.0	1.0	1.0	1.1

Note: Pricing as on 30 January 2026; Source: Company, Elara Securities Estimate

EBITDA margin is expected to be at 28.2% in FY26.

Exhibit 1: Quarterly results

YE March (INR mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Net Sales	1,55,205	1,36,755	13.5	1,44,783	7.2
Gross Profit	1,25,754	1,09,349	15.0	1,14,956	9.4
Gross Margins (%)	81.0	80.0	106.4	79.4	162.6
EBITDA	47,946	41,924	14.4	40,966	17.0
EBITDA Margins (%)	30.9	30.7	23.6	28.3	259.7
Other Income	7,328	2,823	159.6	9,004	(18.6)
Interest	784	515	52.1	999	(21.5)
Depreciation	7,323	6,306	16.1	7,295	0.4
PBT	47,166	37,926	24.4	41,676	13.2
Tax	11,476	5,589	105.4	10,305	11.4
Tax Rate (%)	24.3	14.7	959.6	24.7	(39.5)
PAT	35,690	32,337	10.4	31,371	13.8
Minority Interest	(323)	(142)	128.0	(191)	68.7
PAT	35,367	32,195	9.9	31,180	13.4
Adjusted Net Income	35,367	32,195	9.9	31,180	13.4
NPM (%)	22.8	23.5	(75.5)	21.5	125.2

Source: Company, Elara Securities Research

Exhibit 2: Valuation based on core earnings

	FY24	FY25	FY26E	FY27E	FY28E
Core EPS (INR)	36.9	42.5	41.1	47.5	53.8
Core EPS growth (%)	8.2	15.1	(3.3)	15.7	13.2
Cash per share (INR)	79.9	104.3	109.8	143.9	185.9
Current Core P/E (x)	40.4	35.1	36.3	31.4	27.7
Core ROIC (%)	20.7	24.6	27.4	28.4	31.3

Source: Company, Elara Securities Estimate

Conference call highlights**Financial highlights**

- ▶ Sales stood at INR 154.7bn, reflecting a 15.1% YoY growth.
- ▶ Gross margin was 81%, supported by a favorable product mix.
- ▶ EBITDA came in at INR 49.5bn, up 23.4% YoY, with an EBITDA margin of 31.9%.
- ▶ The quarter included a one-off labor code impact of INR 4,895mn.
- ▶ R&D investment was INR 8.93bn, accounting for 5.8% of sales; ~30.5% of R&D spend was directed toward innovative R&D, equivalent to ~7.2% of Global Innovative Medicines sales for the quarter.
- ▶ Forex gain during the quarter stood at INR 1.54bn.
- ▶ Cash balance as of end-Dec '25 stood at USD 3.2bn.
- ▶ EPS for the quarter was INR 14 per share.
- ▶ Effective tax rate for the quarter was 24.3%, compared with 14.7% in Q3FY25 and 24.7% in Q2FY26.

India business

- ▶ India formulations revenues stood at INR 49,986mn, up 16.2% YoY, accounting for 32.3% of consolidated sales; 9MFY26 revenues were INR 144.5bn, reflecting 13.7% growth.
- ▶ SUNP continues to be India's No. 1 pharmaceutical company in the IPM.
- ▶ SUNP's volume growth in Q3 was 6.3%, significantly ahead of 1.3% growth in the IPM.
- ▶ Market share increased to 8.4% from 8.1%, as per Pharmarack MAT Dec '25.

- ▶ As per SMSRC (Dec 2025), SUNP ranks no. 1 by prescriptions across 14 doctor specialties.
- ▶ The company launched 12 new products in Q3FY26, taking YTD launches to 26.
- ▶ Semaglutide is scheduled for a launch in March 2026, with approvals secured for weight loss and Type 2 diabetes, to be marketed under the brands *Noveltreat* and *Sema Trinity*, respectively.

US business

- ▶ Formulation sales in the US were USD 477mn, marginally up by 0.6%. For 9MFY26, sales were USD 1,445mn.
- ▶ Innovative Medicines continued to grow, offsetting the decline in generics business. US sales accounted for ~27.5% of total consolidated sales.
- ▶ Three new products were launched in the US in the quarter.
- ▶ SUNP's innovative R&D pipeline includes five novel entities in clinical stage. SUNP has a comprehensive product offering in the US market, consisting of approved ANDAs for 550 products while filings for 116 ANDAs await US FDA approval, including 28 tentative approvals.
- ▶ During the quarter, two ANDAs were filed, and approval received for two ANDAs.
- ▶ *Leqselvi* / *Deuruxolitinib* early sales data is quite encouraging for the company with good response from patients and physicians.
- ▶ *Ex-Revlimid* generic business is slightly down in the US, due to increased competition in certain products. There was negligible contribution from *gRevlimid* in Q3FY26.
- ▶ Addition spends guided earlier in the year was focused towards *Leqselvi* and *Unloxcyt* launch. Spends are likely to continue in FY27 as well.
- ▶ SUNP is in ongoing discussions with the Trump administration regarding multiple initiatives, including Most Favored Nation (MFN)-related arrangements.

Innovative medicine business (Global Specialty)

- ▶ Global Innovative Medicines (GIM) sales stood at USD 423mn, including a USD 55mn milestone payment in RoW, compared with USD 45mn in Q3FY25.
- ▶ Ex-milestone, GIM sales grew 13.2% YoY and accounted for 21.2% of total sales.
- ▶ Milestone payments are lumpy and may or may not recur.
- ▶ Growth in the innovative medicines business was driven by a combination of US and ex-US market performance.
- ▶ *Ilumya* was launched in India in Q3FY26.
- ▶ The company launched *Unloxcyt* in the US in Q3 and introduced *Ilumya* in India; early feedback for both launches has been encouraging.
- ▶ While some patients switching from *Keytruda* may migrate to *Unloxcyt*, management indicated that the primary focus is on onboarding new patients rather than conversion from prior *Keytruda* users.

Emerging markets and rest of the world

- ▶ Emerging markets (EM) formulations sales stood at USD 337mn, up 21.6% YoY, accounting for 19.4% of consolidated revenues; 9MFY26 sales were USD 960mn, reflecting 12.4% YoY growth.
- ▶ Romania, South Africa, and Brazil delivered strong performance during the quarter.
- ▶ Constant-currency growth in EM stood at ~13%.
- ▶ Rest of World (RoW) formulations sales were USD 296mn, up 14.5% YoY, contributing 17.1% of consolidated revenues; 9MFY26 sales stood at USD 749mn, up 15.8% YoY.

Clinical and filing updates

- ▶ **MM-II (Osteoarthritis pain):** Phase 2 trials are complete, and the company is evaluating partnership opportunities for commercialization in select markets.
- ▶ **GL0034 (Type 2 diabetes & obesity):** Phase 2 studies have been completed. Phase 3 trials are expected to conclude within the next 12–18 months.
- ▶ **Nidlegy (locally advanced melanoma):** Phase 3 trials are complete, with EMA filing expected shortly.
- ▶ **Fibromun** is under evaluation in soft tissue sarcoma (1st-line confirmatory Phase 3 and 3rd-line Phase 2) and glioblastoma (Phase 2), with regulatory filings underway across indications; Philogen Pharma is responsible for regulatory filings.

Guidance

- ▶ On the M&A front, SUNP's primary focus in the US is on innovative medicines, while in Emerging Markets, it is evaluating smaller acquisitions, either product-led or company-level. Management also indicated a willingness to take on debt for M&A if required.
- ▶ Management noted that innovative R&D spend will rise as the number of Phase 3 programs increases.
- ▶ In the US, innovative medicines are expected to be the key growth driver, while the generics business is likely to improve once USFDA-related issues at company sites are resolved.
- ▶ Ahead of the GLP-1 launch, the company has already added incremental field force (MRs) in India.

Exhibit 3: Rolling P/E trading 20% premium to 10-year average of 30.2x



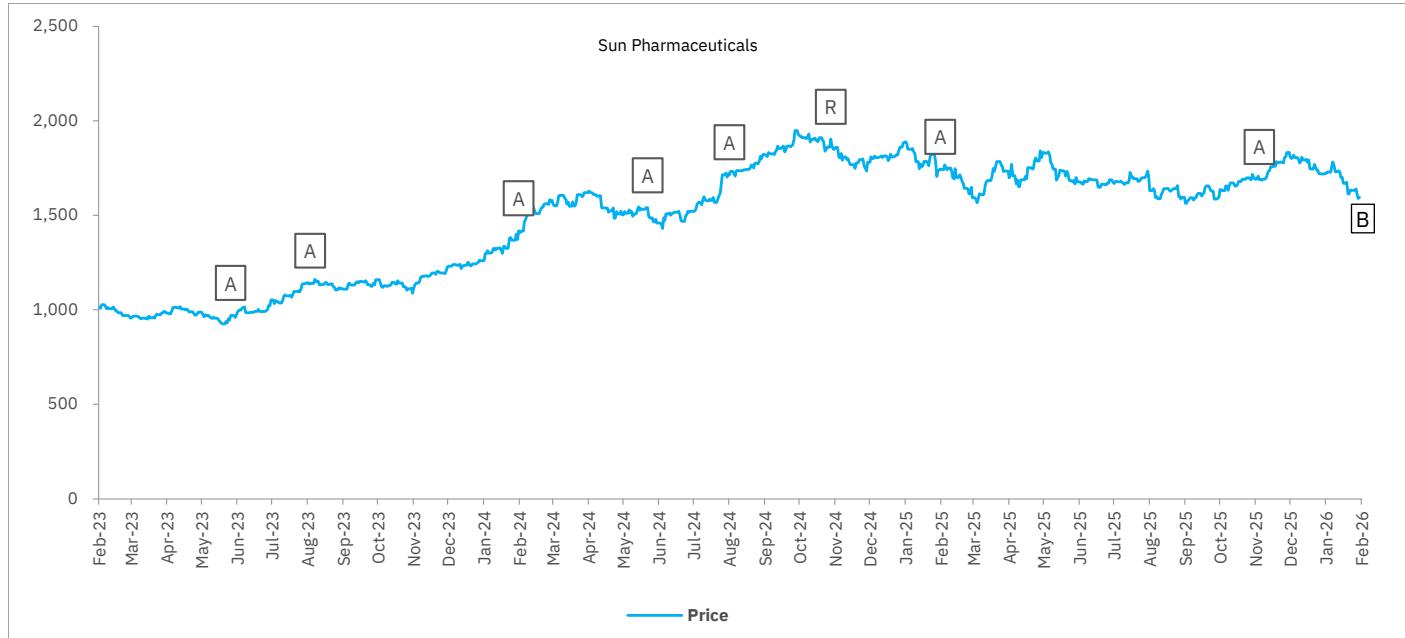
Source: Company, Elara Securities Estimate

Exhibit 4: Change in estimates

	Old estimates			Revised estimates			% change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales	5,69,444	6,22,810	6,81,084	5,82,852	6,51,117	7,14,389	2.4	4.5	4.9
EBITDA	1,58,688	1,77,134	1,96,406	1,64,361	1,86,640	2,07,128	3.6	5.4	5.5
PAT	1,06,225	1,26,059	1,40,388	1,10,646	1,34,864	1,49,899	4.2	7.0	6.8
EPS (INR)	47.3	52.5	58.5	49.8	56.2	62.5	5.4	7.0	6.8
Rating	Accumulate			Buy					

Source: Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
13-Apr-2022	Accumulate	985	935
01-Nov-2022	Accumulate	1,100	1,037
26-May-2023	Accumulate	1,134	970
03-Aug-2023	Accumulate	1,246	1,141
31-Jan-2024	Accumulate	1,524	1,351
22-May-2024	Accumulate	1,637	1,539
01-Aug-2024	Accumulate	1,871	1,715
28-Oct-2024	Reduce	1,871	1,903
31-Jan-2025	Accumulate	1,871	1,744
04-Nov-2025	Accumulate	1,968	1,690
30-Jan-2026	Buy	1,968	1,595

Guide to Research Rating

BUY (B) Absolute Return >+20%

ACCUMULATE (A) Absolute Return +5% to +20%

REDUCE (R) Absolute Return -5% to +5%

SELL (S) Absolute Return < -5%

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