

August 1, 2025

Q1FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	1,875		2,000	
Sales (Rs. m)	5,74,091	6,34,980	5,72,287	6,32,993
% Chng.	0.3	0.3		
EBITDA (Rs. m)	1,60,037	1,89,592	1,57,678	1,88,737
% Chng.	1.5	0.5		
EPS (Rs.)	47.5	58.0	51.2	62.1
% Chng.	(7.3)	(6.6)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. bn)	485	526	574	635
EBITDA (Rs. bn)	130	151	160	190
Margin (%)	26.8	28.7	27.9	29.9
PAT (Rs. bn)	96	109	109	139
EPS (Rs.)	41.8	49.2	47.5	58.0
Gr. (%)	14.4	17.6	(3.4)	22.2
DPS (Rs.)	14.0	18.7	19.9	21.1
Yield (%)	0.8	1.1	1.2	1.2
RoE (%)	16.0	16.1	14.5	16.8
RoCE (%)	16.2	17.8	17.4	19.5
EV/Sales (x)	8.3	7.6	6.9	6.1
EV/EBITDA (x)	30.9	26.5	24.7	20.4
PE (x)	40.8	34.7	35.9	29.4
P/BV (x)	6.4	5.7	5.2	4.7

Key Data

SUN.BO | SUNP IN

52-W High / Low	Rs.1,960 / Rs.1,553
Sensex / Nifty	81,186 / 24,768
Market Cap	Rs.4,095bn / \$ 46,746m
Shares Outstanding	2,399m
3M Avg. Daily Value	Rs.4293.71m

Shareholding Pattern (%)

Promoter's	54.48
Foreign	17.26
Domestic Institution	19.50
Public & Others	8.76
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	1.8	(2.1)	(0.7)
Relative	4.9	(6.6)	(0.1)

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Strong quarter aided by specialty and domestic formulation

Quick Pointers:

- Guided for 25% tax rate in FY26 and going forward.
- Reiterate its \$100mn expenses towards new launches of specialty in FY26.

Sun Pharma (SUNP) Q1FY26 EBITDA (+11% YoY) was 7% above our estimates aided by higher specialty sales and lower opex. Over last few years SUNP dependency on US generics has reduced and company's growth is more functional on specialty, RoW and domestic pharma that has strong growth visibility. Though FY26 expenses (an additional \$100mn spend) is likely to remain elevated given company are in investment phase to ramp up specialty pipeline; successful launch of Leqselvi and Unloxcyt along with progress of other pipelines will be key. Our FY26/FY27E EPS stands reduced by 6-7% as we factor in higher tax. We maintain 'BUY' rating with revised TP of Rs.1,875 based on 32x FY27E EPS. SUNP remains our top pick in large cap space.

Higher domestic & US specialty supports YoY: Revenues came in at Rs 138.5bn up 9.5% YoY vs our estimate of Rs 135bn. Domestic formulation growth was strong at 14% YoY. US sales came to \$473mn (\$465mn in Q4FY25). In line with estimates. Global specialty sales were up 17% YoY and 5% QoQ to \$311mn. RoW markets remained healthy up 18% YoY while EMs growth stood at 7% YoY. API sales were up 9% YoY.

EBITDA beat; higher tax led to PAT miss: Reported EBITDA came in at Rs 40.7bn. up 11% YoY against our estimate of Rs 38bn. 7% beat to our estimate. OPM came in at 29.4% up 50bps YoY and 300bps QoQ. GMs came in at 79.6%, up 20bps QoQ and 100bps YoY. Other expenses ex R&D was up 6% YoY and down 9% QoQ. R&D spend came in at Rs 9bn (6.5% of revenues) up 14% YoY. Tax came in higher at 26%. Forex gain stood at Rs 2.2bn. There were certain one offs related to impairment and litigation settlement charges. Adj for forex gain and one offs; PAT came in at Rs 28bn below our estimate of Rs 29.5bn led by higher tax.

Key concall takeaways: Domestic formulation: Consistency in market share (8.3% up from 8% YoY). Volume followed by new product launches led to growth ahead of IPM. It launched 5 products during the quarter. Growth was largely by Rx business. **US:** Revenues from generics declined due to increased competition. The gRevlimid sales were higher QoQ moderately. Mgmt indicated \$100mn marketing/launch cost through FY26E. Launched 4 generic products. **Global Specialty Sales:** Q1 specialty sales growth remained strong. Illumya, Cequa, Winlevi, Odomzo continued to perform well. Launched specialty product Leqselvi post settlement with innovator removing overhang. Illumya Phase 3 for psoriatic arthritis met primary endpoints; filing planned before end of CY25. Approval to take 10-12months. Checkpoint Therapeutics acquisition completed. Unloxcyt US launch planned in H2 FY26. **EMs:** Delivered 5.1% growth YoY in CC terms. Romania, Russia and South Africa continue to deliver YoY. **RoW:** Philogen withdrew EMA

application for a Nidlegly; plans to refile later. **R&D:** Spent 41% of R&D for innovative medicines. Continued investment in dermatology, ophthalmology & onco-derma therapy areas. SCD-044 clinical trials discontinued, with no development plans ahead. There was an impairment charge of Rs 1,362 mn. GL0034 Phase 2 to start soon. Costs to increase as large trials start; focus on long-term business strength. **GLP -1:** It will be there in first wave of launch in Indian market, no guidance shared for Canada/Brazil participation. **Tariff:** Pharma largely exempted from new tariff's, awaiting 232 investigation outcome. **Other:** Halol resolution timeline unclear. ETR to remain at 25% in FY26. Net cash position \$3.1bn.

Exhibit 1: 1QFY26 Result Overview (Rs mn): EBITDA beat aided by higher specialty & lower opex

Y/e March	Q1FY26	Q1FY25	YoY gr. (%)	Q1FY26E	% Var	Q4FY25	QoQ gr. (%)	FY26E	FY25	YoY gr. (%)
Net Sales	1,38,514	1,26,528	9.5	1,35,131	2.5	1,29,588	6.9	5,74,091	5,25,784	9.2
Raw Material	28,148	26,754	5.2	27,702	1.6	26,372	6.7	1,17,284	1,07,474	9.1
<i>% of Net Sales</i>	<i>20.3</i>	<i>21.1</i>		<i>20.5</i>		<i>20.4</i>		<i>20</i>	<i>20.4</i>	
Personnel Cost	28,017	24,546	14.1	26,019	7.7	24,885	12.6	1,09,704	99,731	10.0
<i>% of Net Sales</i>	<i>20.2</i>	<i>19.4</i>		<i>19.3</i>		<i>19.2</i>		<i>19.1</i>	<i>19.0</i>	
Others	41,624	38,646	7.7	43,284	(3.8)	44,083	(5.6)	1,87,066	1,67,718	11.5
<i>% of Net Sales</i>	<i>30.1</i>	<i>30.5</i>		<i>32.0</i>		<i>34.0</i>		<i>32.6</i>	<i>31.9</i>	
Total Expenditure	97,788	89,947	8.7	97,005	0.8	95,340	2.6	4,14,054	3,74,923	10.4
EBITDA	40,726	36,581	11.3	38,126	6.8	34,249	18.9	1,60,037	1,50,862	6.1
<i>Margin (%)</i>	<i>29.4</i>	<i>28.9</i>		<i>28.2</i>		<i>26.4</i>		<i>27.9</i>	<i>28.7</i>	
Depreciation	7,006	6,551	6.9	6,600	6.1	6,638	5.5	27,219	25,754	5.7
EBIT	33,721	30,029	12.3	31,526	7.0	27,611	22.1	1,32,818	1,25,108	6.2
Other Income	4,645	5,326	(12.8)	5,000	(7.1)	6,129	(24.2)	20,400	19,650	3.8
Interest	748	615	21.5	600	24.7	491	52.2	2,400	(2,314)	(203.7)
PBT	37,617	34,740	8.3	35,926	4.7	33,248	13.1	1,50,818	1,42,445	5.9
Total Taxes	9,707	5,523	75.8	6,107	58.9	7,162	35.5	36,281	23,946	51.5
<i>ETR (%)</i>	<i>25.8</i>	<i>15.9</i>		<i>17.0</i>		<i>21.5</i>		<i>24.1</i>	<i>16.8</i>	<i>43.1</i>
PAT	27,911	29,217	(4.5)	29,819	(6.4)	26,086	7.0	1,14,537	1,18,499	(3.3)
Minority Interest	240	356	(32.7)	128	87.9	108	NA	400	511	(21.7)
Share in loss of associates	-	-		-		-		(200)	-	
Reported PAT	27,671	28,861	(4.1)	29,691	(6.8)	25,978	6.5	1,13,937	1,17,988	(3.4)
Exceptional items	4,885	505		-		4,479		4,885	8,698	(43.8)
Adj Pat	22,786	28,356	(19.6)	29,691	(23.3)	21,499	6.0	1,09,052	1,09,290	(0.2)

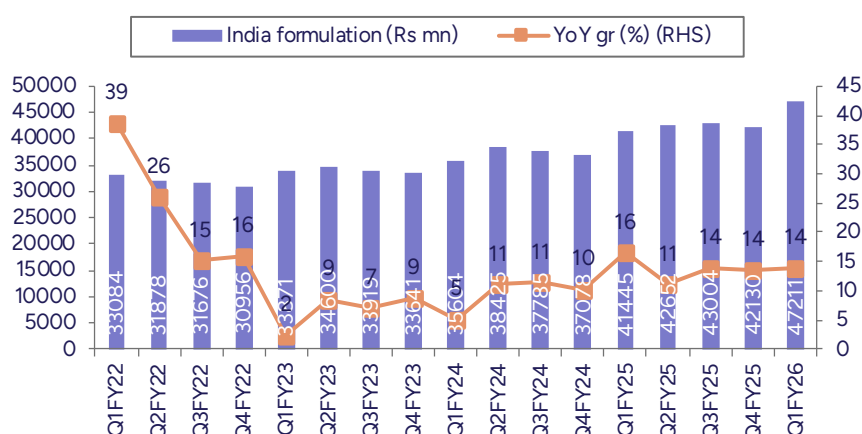
Source: Company, PL

Exhibit 2: Healthy specialty/branded mix supported growth

Major sources of income	Q1FY26	Q1FY25	YoY gr. (%)	Q4FY25	QoQ gr. (%)	FY26E	FY25	YoY gr. (%)
API	5,404	4,946	9.3	5,330	1.4	23,421	21,292	10.0
% of Net Sales	3.9	3.9		4.2		4.1	4.1	
Formulation	1,31,930	1,19,848	10.1	1,22,235	7.9	4,46,325	4,03,259	10.7
% of Net Sales	95.7	95.7		95.4		77.3	77.5	
India	47,211	41,445	13.9	42,130	12.1	1,90,384	1,69,230	12.5
% of Net Sales	34.2	33.1		32.9		33.0	32.5	
International	84,719	78,403	8.1	80,105	5.8	2,55,941	2,34,029	9.4
% of Net Sales	61.5	62.6		62.5		44.4	45.0	
US formulations	40,452	38,894	4.0	40,204	0.6	1,77,152	1,62,403	9.1
% of Net Sales	29.3	31.1		31.4		30.7	31.2	
ROW formulations	44,267	39,509	12.0	39,901	10.9	78,789	71,626	10.0
% of Net Sales	32.1	31.5		31.1		13.7	13.8	
Others	527	451	16.7	591	(10.8)	1,07,331	95,862	12.0
Total Sales	1,37,861	1,25,245	10.1	1,28,155	7.6	5,77,077	5,20,413	10.9

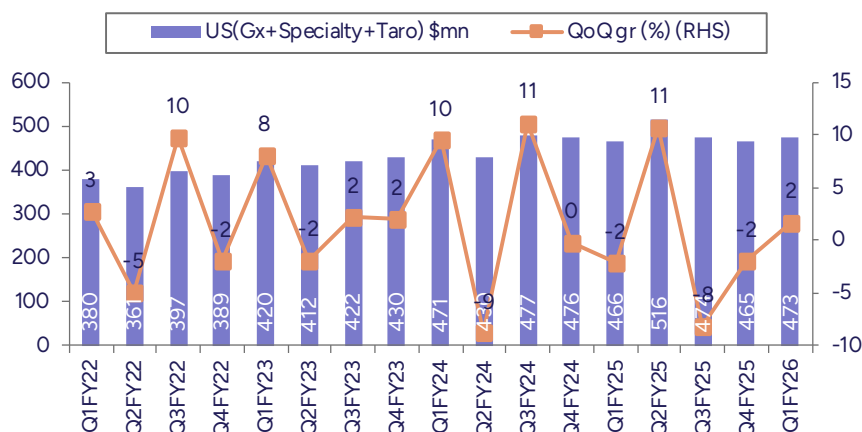
Source: Company, PL

Exhibit 3: Trajectory continues for domestic markets



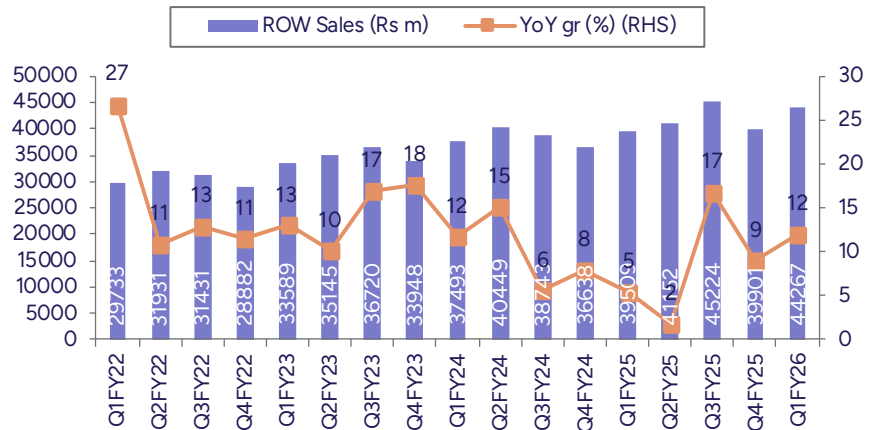
Source: Company, PL

Exhibit 4: Increased specialty sales both YoY & QoQ



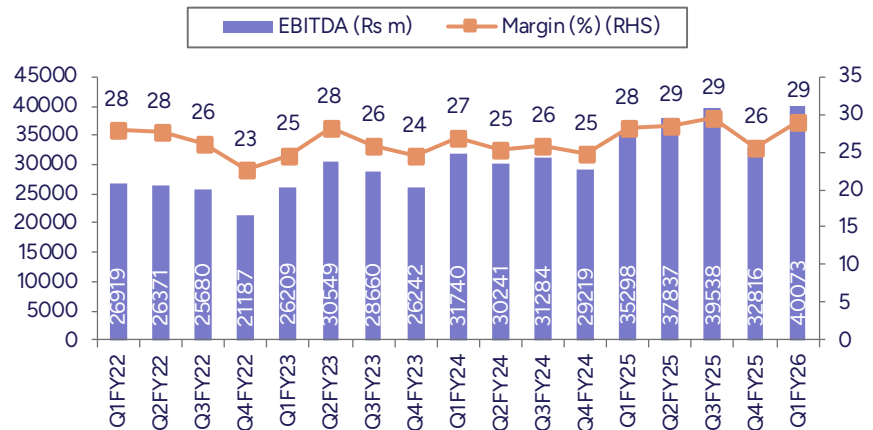
Source: Company, PL

Exhibit 5: RoW markets remained healthy YoY



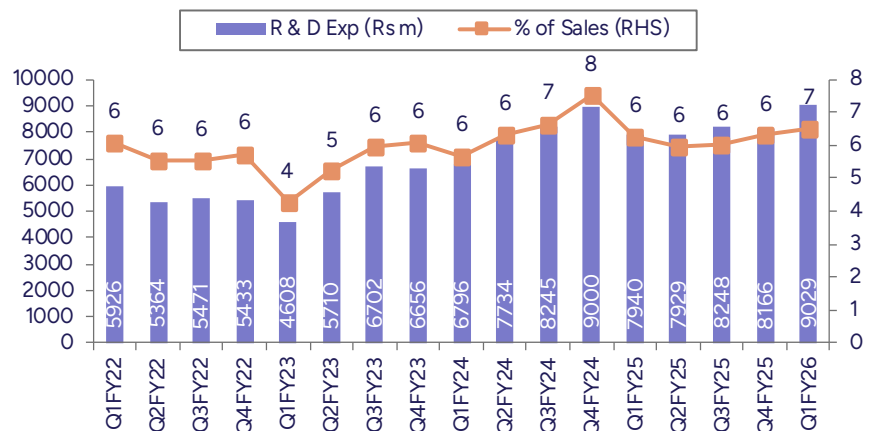
Source: Company, PL

Exhibit 6: Improved GM's and lower operating expenses supported



Source: Company, PL

Exhibit 7: Ex impairment cost R&D was at 5.6% of revenues



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	4,84,969	5,25,784	5,74,091	6,34,980
YoY gr. (%)	10.5	8.4	9.2	10.6
Cost of Goods Sold	1,06,626	1,07,474	1,17,284	1,28,440
Gross Profit	3,78,342	4,18,311	4,56,807	5,06,540
Margin (%)	78.0	79.6	79.6	79.8
Employee Cost	94,291	99,731	1,09,704	1,18,481
Other Expenses	1,54,182	1,67,718	1,87,066	1,98,467
EBITDA	1,29,870	1,50,862	1,60,037	1,89,592
YoY gr. (%)	10.3	16.2	6.1	18.5
Margin (%)	26.8	28.7	27.9	29.9
Depreciation and Amortization	25,566	25,754	27,219	28,769
EBIT	1,04,304	1,25,108	1,32,818	1,60,824
Margin (%)	21.5	23.8	23.1	25.3
Net Interest	2,385	2,314	2,400	2,400
Other Income	13,542	19,650	20,400	23,402
Profit Before Tax	1,15,461	1,42,445	1,50,818	1,81,826
Margin (%)	23.8	27.1	26.3	28.6
Total Tax	14,395	23,946	36,281	42,035
Effective tax rate (%)	12.5	16.8	24.1	23.1
Profit after tax	1,01,066	1,18,499	1,14,537	1,39,791
Minority interest	337	357	400	400
Share Profit from Associate	(384)	(154)	(200)	(200)
Adjusted PAT	95,764	1,09,290	1,09,052	1,39,191
YoY gr. (%)	13.0	14.1	(0.2)	27.6
Margin (%)	19.7	20.8	19.0	21.9
Extra Ord. Income / (Exp)	4,582	8,698	4,885	-
Reported PAT	1,00,346	1,17,988	1,13,937	1,39,191
YoY gr. (%)	14.4	17.6	(3.4)	22.2
Margin (%)	20.7	22.4	19.8	21.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,00,346	1,17,988	1,13,937	1,39,191
Equity Shares O/s (m)	2,399	2,399	2,399	2,399
EPS (Rs)	41.8	49.2	47.5	58.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	4,00,716	4,28,449	4,53,449	4,78,449
Tangibles	2,60,935	2,78,994	2,95,273	3,11,552
Intangibles	1,39,781	1,49,455	1,58,176	1,66,897
Acc: Dep / Amortization	2,12,130	2,37,884	2,65,104	2,93,872
Tangibles	1,44,888	1,62,479	1,81,070	2,00,719
Intangibles	67,242	75,405	84,034	93,153
Net fixed assets	1,88,586	1,90,565	1,88,346	1,84,577
Tangibles	1,16,046	1,16,515	1,14,203	1,10,833
Intangibles	72,539	74,050	74,142	73,744
Capital Work In Progress	11,077	12,343	12,343	12,343
Goodwill	85,990	89,394	89,394	89,394
Non-Current Investments	1,50,258	1,83,538	1,83,538	1,83,538
Net Deferred tax assets	39,486	42,151	42,151	42,151
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	98,683	1,02,433	1,13,518	1,25,496
Trade receivables	1,12,494	1,30,461	1,41,898	1,56,870
Cash & Bank Balance	1,05,207	1,13,316	1,51,369	2,12,369
Other Current Assets	60,640	54,368	54,368	54,368
Total Assets	8,13,592	8,76,930	9,35,336	10,19,574
Equity				
Equity Share Capital	2,399	2,399	2,399	2,399
Other Equity	6,34,268	7,19,781	7,81,107	8,69,766
Total Network	6,36,668	7,22,180	7,83,507	8,72,165
Non-Current Liabilities				
Long Term borrowings	13	25	25	25
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	28,444	18,671	3,671	(11,329)
Trade payables	56,533	61,843	70,949	78,435
Other current liabilities	97,029	1,13,682	1,16,056	1,18,549
Total Equity & Liabilities	8,13,592	8,76,930	9,35,336	10,19,574

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	1,15,461	1,42,445	1,50,818	1,81,826
Add. Depreciation	25,566	25,754	27,219	28,769
Add. Interest	2,385	2,314	2,400	2,400
Less Financial Other Income	13,542	19,650	20,400	23,402
Add. Other	(16,989)	(21,787)	(4,885)	-
Op. profit before WC changes	1,26,423	1,48,725	1,75,552	2,12,994
Net Changes-WC	10,621	(3,236)	(11,093)	(17,028)
Direct tax	(15,694)	(4,768)	(36,281)	(42,035)
Net cash from Op. activities	1,21,350	1,40,721	1,28,178	1,53,932
Capital expenditures	(23,451)	(24,014)	(25,000)	(25,000)
Interest / Dividend Income	-	-	-	-
Others	(10,034)	-	-	-
Net Cash from Inv. activities	(33,486)	(24,014)	(25,000)	(25,000)
Issue of share cap. / premium	-	(28,999)	-	-
Debt changes	(33,899)	(11,167)	(15,000)	(15,000)
Dividend paid	(28,982)	(36,140)	(47,725)	(50,532)
Interest paid	(2,385)	(2,314)	(2,400)	(2,400)
Others	36,371	(29,979)	-	-
Net cash from Fin. activities	(28,895)	(1,08,597)	(65,125)	(67,932)
Net change in cash	58,970	8,109	38,053	61,000
Free Cash Flow	99,331	1,19,435	1,03,178	1,28,932

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Net Revenue	1,32,914	1,36,755	1,29,588	1,38,514
YoY gr. (%)	9.0	10.5	8.1	9.5
Raw Material Expenses	26,942	27,405	26,372	28,148
Gross Profit	1,05,972	1,09,349	1,03,217	1,10,366
Margin (%)	79.7	80.0	79.6	79.7
EBITDA	38,109	41,924	34,249	40,726
YoY gr. (%)	18.6	25.1	10.8	11.3
Margin (%)	28.7	30.7	26.4	29.4
Depreciation / Depletion	6,259	6,306	6,638	7,006
EBIT	31,850	35,618	27,611	33,721
Margin (%)	24.0	26.0	21.3	24.3
Net Interest	692	515	491	748
Other Income	3,540	4,656	6,129	4,645
Profit before Tax	34,698	39,759	33,248	37,617
Margin (%)	26.1	29.1	25.7	27.2
Total Tax	5,672	5,589	7,162	9,707
Effective tax rate (%)	16.3	14.1	21.5	25.8
Profit after Tax	29,026	34,171	26,086	27,911
Minority interest	(95)	142	108	240
Share Profit from Associates	-	-	-	-
Adjusted PAT	30,402	29,034	21,499	22,786
YoY gr. (%)	28.0	15.0	(19.0)	(19.6)
Margin (%)	22.9	21.2	16.6	16.5
Extra Ord. Income / (Exp)	(1,281)	4,995	4,479	4,885
Reported PAT	29,121	34,029	25,978	27,671
YoY gr. (%)	20.9	37.8	(7.6)	(4.1)
Margin (%)	21.9	24.9	20.0	20.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	29,121	34,029	25,978	27,671
Avg. Shares O/s (m)	2,399	2,399	2,399	2,399
EPS (Rs)	12.1	14.2	10.8	11.5

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	41.8	49.2	47.5	58.0
CEPS	50.6	56.3	56.8	70.0
BVPS	265.4	301.0	326.6	363.5
FCF	41.4	49.8	43.0	53.7
DPS	14.0	18.7	19.9	21.1
Return Ratio(%)				
RoCE	16.2	17.8	17.4	19.5
ROIC	14.7	16.4	16.9	19.9
RoE	16.0	16.1	14.5	16.8
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.2)	(0.3)
Net Working Capital (Days)	116	119	117	117
Valuation(x)				
PER	40.8	34.7	35.9	29.4
P/B	6.4	5.7	5.2	4.7
P/CEPS	50.6	56.3	56.8	70.0
EV/EBITDA	30.9	26.5	24.7	20.4
EV/Sales	8.3	7.6	6.9	6.1
Dividend Yield (%)	0.8	1.1	1.2	1.2

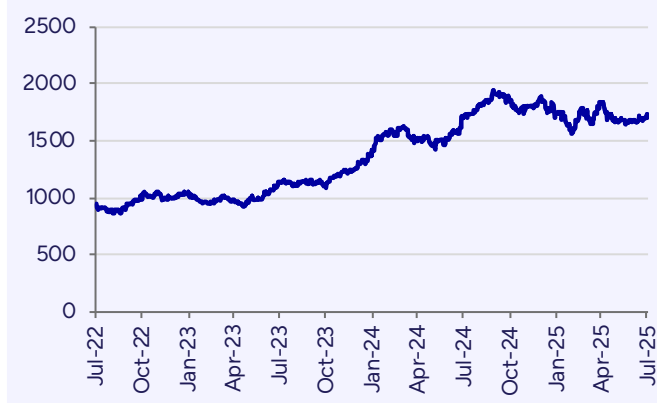
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
India Formulations	1,48,893	1,69,230	1,90,384	2,11,326
US Formulations	1,53,493	1,62,403	1,77,152	1,93,985
ROW Formulations	1,53,323	1,65,786	1,74,761	1,94,347
APIs	19,187	21,292	23,421	25,764

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-25	BUY	2,000	1,680
2	23-May-25	BUY	2,000	1,719
3	08-Apr-25	BUY	2,275	1,677
4	01-Feb-25	BUY	2,275	1,744
5	08-Jan-25	BUY	2,100	1,853
6	29-Oct-24	BUY	2,100	1,903
7	07-Oct-24	BUY	1,885	1,910
8	02-Aug-24	BUY	1,885	1,715

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	8,350	7,616
2	Aster DM Healthcare	BUY	620	622
3	Aurobindo Pharma	BUY	1,440	1,185
4	Cipla	BUY	1,730	1,533
5	Divi's Laboratories	Accumulate	6,800	6,889
6	Dr. Reddy's Laboratories	Reduce	1,270	1,247
7	Eris Lifesciences	BUY	1,740	1,734
8	Fortis Healthcare	BUY	785	806
9	HealthCare Global Enterprises	BUY	620	560
10	Indoco Remedies	Hold	325	322
11	Ipca Laboratories	Accumulate	1,525	1,456
12	J.B. Chemicals & Pharmaceuticals	BUY	2,030	1,633
13	Jupiter Life Line Hospitals	BUY	1,720	1,531
14	Krishna Institute of Medical Sciences	BUY	725	695
15	Lupin	BUY	2,400	1,979
16	Max Healthcare Institute	BUY	1,300	1,300
17	Narayana Hrudayalaya	BUY	1,950	1,990
18	Rainbow Children's Medicare	BUY	1,725	1,541
19	Sun Pharmaceutical Industries	BUY	2,000	1,680
20	Sunteck Realty	BUY	650	427
21	Torrent Pharmaceuticals	Accumulate	4,000	3,623
22	Zydus Lifesciences	Accumulate	970	999

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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