

# Sun Pharma: Acquisition to Power Next-phase Growth

April 28, 2026 | CMP: INR 1,734 | Target Price: INR 2,300

**BUY**

Expected Share Price Return: 32.6% | Dividend Yield: 0.9% | Potential Upside: 33.5%

Sector View: Positive

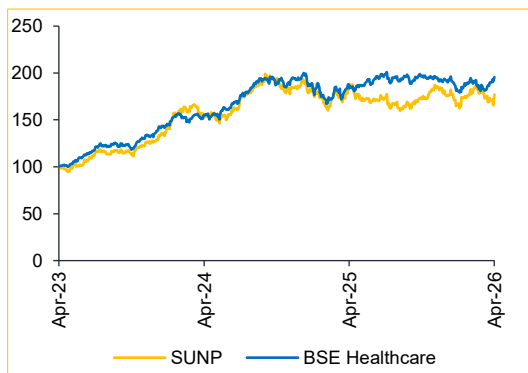
Change in Estimates	✓✓
Change in Target Price	✓✓
Change in Recommendation	✓✓

Company Info	
BB Code	SUNP IN EQUITY
Face Value (INR)	1.0
52 W High/Low (INR)	1,851 / 1,547
Mkt Cap (Bn)	INR 4,159.9 / USD 44.3
Shares o/s (Mn)	2,399.3
3M Avg. Daily Volume	34,93,735

Pro-forma Financials			
INR Bn	FY27E	FY28E	FY29E
Revenue	1,208	1,365	1,543
YoY (%)	108.8%	13.0%	13.0%
EBITDA	369	421	478
EBITDAM %	30.5%	30.8%	31.0%
Adj PAT	180	221	264
EPS (INR)	75.2	92.1	110.1
Total Debt	916	916	916
Total Equity	989	1,210	1,474
Cash and Cash Equivalents	31	36	41
Net Debt	885	880	875
Net Debt/EBITDA	2.4	2.1	1.8
ROE %	18.3%	18.3%	17.9%
ROCE %	17.4%	17.7%	18.2%
PE(x)	23.0	18.8	15.7
EV/EBITDA	13.6	12.0	10.5

Shareholding Pattern (%)			
	Mar 2026	Dec 2025	Sep 2025
Promoters	54.48	54.48	54.48
FIs	15.94	16.12	16.55
DIs	21.00	20.72	20.12
Public	8.59	8.68	8.83

Relative Performance (%)			
YTD	3Y	2Y	1Y
BSE Healthcare	95.7	26.1	6.7
SUNP	77.2	15.3	(3.0)



## Recent Report: Q4FY26 Pharmaceuticals Preview

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## SUNP Builds USD-12 Bn Global Pharma Powerhouse

We see SUNP's acquisition of OGN as a transformational deal, **doubling revenue to USD 12 Bn with ~30% EBITDA margin**. It will not only enhance portfolio quality via biosimilars entry but also strengthen leadership in the women's health segment and raise **innovative products' contribution to revenue to ~26%** (from ~20%). It will also further also mark **SUNP's expansion in China** (worlds second-largest market) and reduce US dependence to ~27% (from ~31%).

While the USD-9.5 Bn debt raise and USD-4 Bn cash outlay is a key concern, we believe it reflects a deliberate, debt-deployed strategy rather than a risk-averse stance, underscoring SUNP's willingness to leverage its balance sheet for a transformational opportunity. Supported by **the company's proven record of strong cash flows, we remain confident in gradual deleveraging over time**. While interest expense may remain elevated in the medium term, strategic benefits are expected to outweigh near-term drag. We expect full integration from FY27E onwards and we value SUNP on FY28E EPS at 25x, revising TP to **INR 2,300** (from INR 1,825) and upgrade our rating to **BUY**.

## Transaction Overview

- SUNP has entered into a definitive agreement to acquire 100% of Organon & Co. in an all-cash transaction of USD 14 per share, implying an enterprise value of ~USD 11.75 Bn.
- The acquisition provides SUNP with an immediate and **scaled entry into the biosimilars segment**, positioning the combined entity as the seventh-largest global biosimilars player.
- It expands reach across 150+ countries with a 24,000+ sales force and 18 markets generating over USD 100 Mn each in revenue.
- The acquisition will be funded via USD 2.0-2.5bn cash and USD 9.25-9.75bn debt, with closure expected in 6-9 months.
- Sun Pharma's **established branded generics playbook is expected to be applied to Organon's 50+ established brand portfolio**.

## Acquisition to Double Revenue to USD 12 Bn with Biosimilars Entry and Expansion in Innovation and Women's Health Segment

The acquisition of OGN by SUNP marks the **largest transaction in the India's pharma sector** and represents a step-change in scale for SUNP. Post-acquisition, **revenue is expected to nearly double to ~USD 12 Bn, with an EBITDA margin of ~30%**, alongside a meaningful improvement in portfolio mix. Strategically, the deal enables **entry into the fast-growing biosimilars segment, positioning SUNP among the top 7 global players**, with an estimated ~6% revenue contribution over time. The share of the innovative portfolio is also expected to increase to ~26% (from ~20%). Additionally, the acquisition strengthens SUNP's **presence in women's health, making it the third-largest player globally** in the segment. **We believe SUNP's established track record of successfully integrating and scaling up acquisitions**, including Ranbaxy Laboratories and Taro Pharmaceutical Industries, **lends confidence in its ability to unlock value for OGN's under-utilised assets and drive superior growth in the medium term**.

## Measured Balance Sheet Stretch with Clear Deleveraging Visibility

While the transaction, which involves a **~USD-4 Bn cash outlay and ~USD-9.5 Bn debt raise**, remains a key concern, we view this as a measured balance sheet stretch rather than a shift in risk appetite. Post-acquisition, **we forecast net debt/EBITDA at ~2.3x, which remains manageable for a business of this scale and profitability**. Deleveraging remains a key priority for the company and, while interest costs are likely to stay elevated in the near to medium term, these should moderate as debt repays gradually. **Given the company's consistent cash conversion and disciplined capital allocation, we see clear visibility on leverage reduction over time**. Overall, we remain comfortable with the balance sheet despite the near-term drag, as the long-term strategic benefits outweigh the temporary increase in leverage.

*Management views Organon as a similar-sized, profitable but low-growth asset, creating a strong value-unlocking opportunity through better execution.*

*Management expects to improve Organon's growth from ~1-2% to higher single-digit growth over time.*

*Cost synergies of USD 350 Mn are expected over 2-4 years.*

*Management guided that the transaction is expected to be EPS-accretive from Day 1 of closing.*

*Past experience with large integrations provides confidence in execution capabilities.*

## Management Call – Highlights

### Strategic Rationale

- The management views Organon as a similar-sized, profitable but low-growth asset, **creating a strong value-unlocking opportunity** through better execution.
- The deal strengthens Sun Pharma's positioning in women's health (top 3 globally) and **provides entry into biosimilars as a new growth pillar.**

### Growth Drivers & Strategy

- **Growth will be driven by in-licensing of innovative and biosimilar products**, especially those close to commercialisation.
- Sun plans to scale up its specialty portfolio globally using Organon's platform.
- Organon's established brands will be revived through line extensions, combination products and improved marketing execution.
- **The management expects to improve Organon's growth from ~1-2% to higher single-digit growth over time.**

### Synergies

- **Cost synergies of USD 350 Mn are expected over 2–4 years**, driven by procurement, supply chain and organisational efficiency.
- Revenue synergies are expected to be significant but are not yet quantified due to early-stage assessment.
- Cross-selling of existing portfolios and future pipeline products is expected to be a key driver of revenue synergies.

### Geographic Expansion & Scale

- **The deal provides a strong platform to scale up in China and adds South Korea as a new market.**
- The revenue mix becomes more diversified, reducing dependence on India and the US.

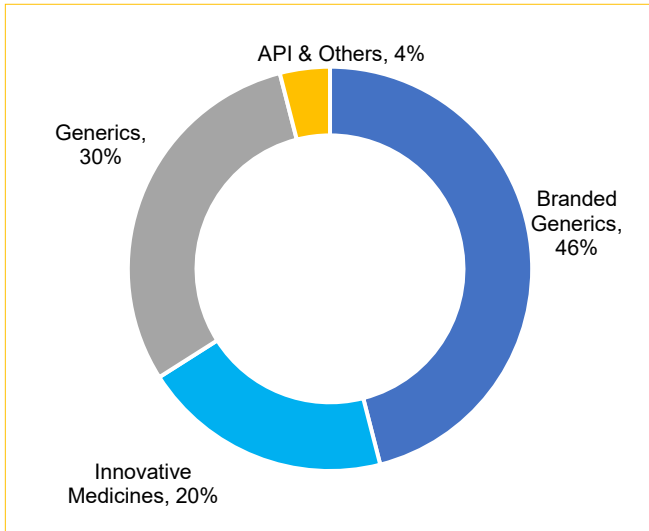
### Financials

- The management acknowledged that the **transaction would lead to a meaningful increase in debt**, moving from a historically net-cash position to ~2.3x Net Debt/EBITDA, but emphasised that this level is manageable relative to the combined company's earnings.
- The company highlighted a strong commitment to deleveraging, with a clear **focus to repay debt as early as possible.**

### Integration & Execution

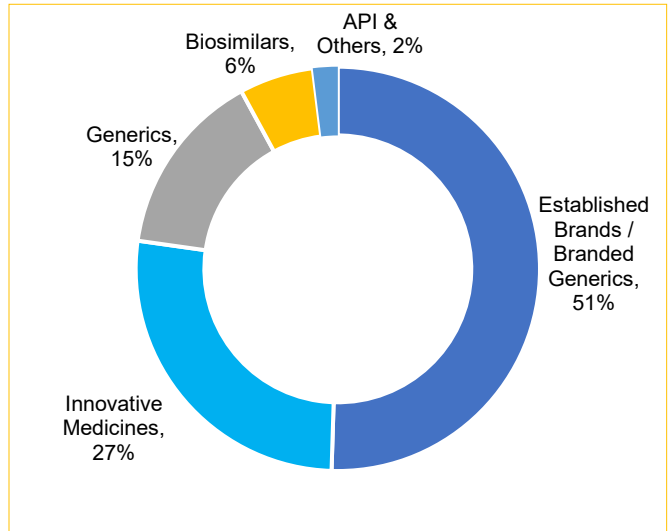
- Integration will be managed through a **dedicated Integration Management Office** so as to ensure smooth execution.
- Past experience with large integrations, such as, Ranbaxy provides **confidence in execution capabilities.**
- There is **negligible product overlap** between Sun and Organon, so **no major regulatory-mandated divestments are anticipated.**

**SUNP's Portfolio Mix Pre-Acquisition**



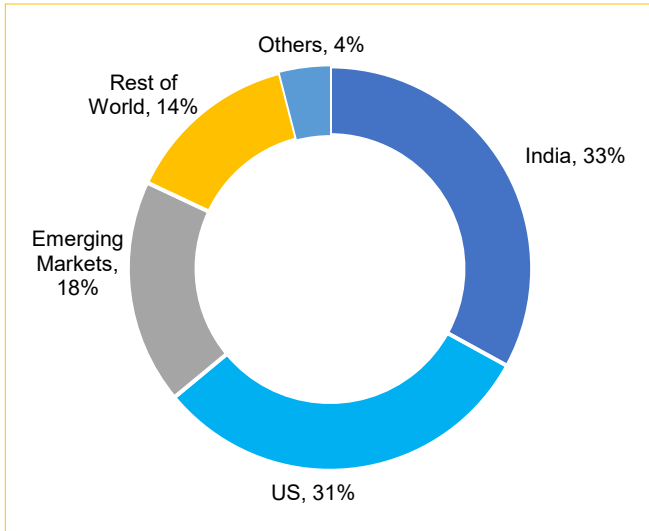
Source: SUNP, Choice Institutional Equities

**SUNP's Portfolio Mix Post-Acquisition**



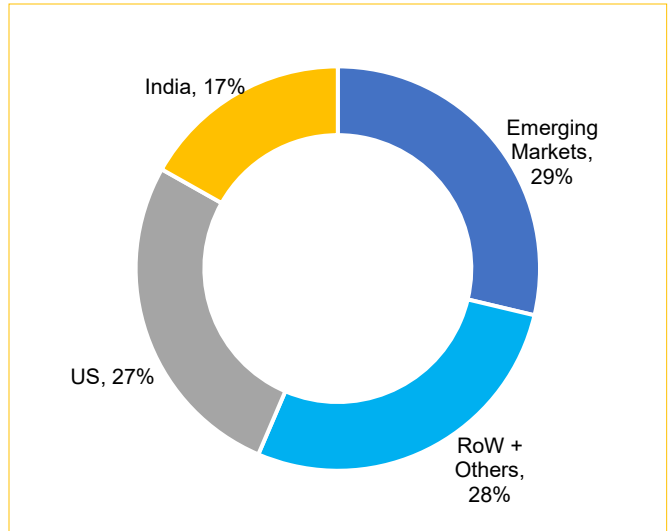
Source: SUNP, Choice Institutional Equities

**SUNP's Geographical Mix Pre-Acquisition**



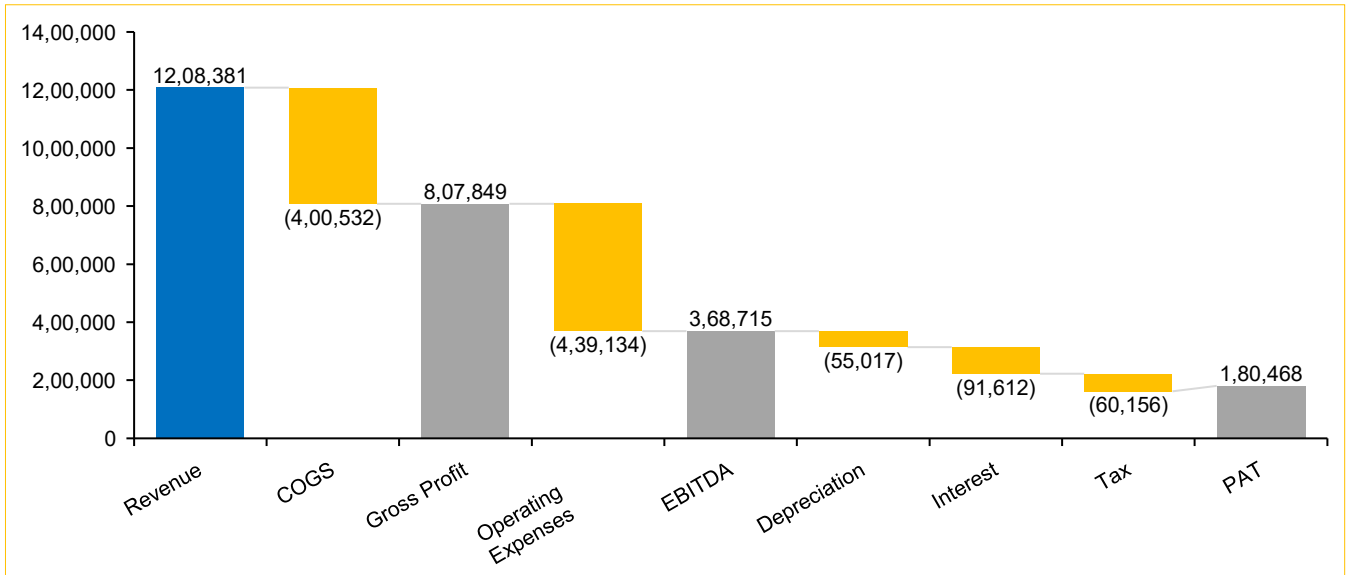
Source: SUNP, Choice Institutional Equities

**SUNP's Geographical Mix Post-Acquisition**



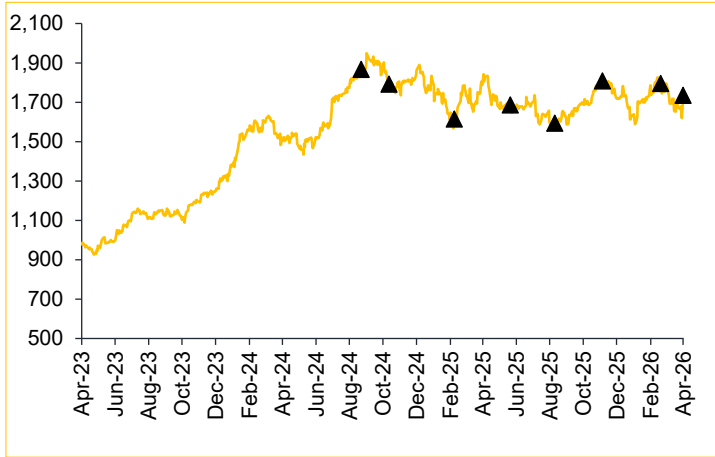
Source: SUNP, Choice Institutional Equities

**SUNP's FY27 Estimates Post-Acquisition (INR Mn)**



Source: Choice Institutional Equities

**Historical Price Chart: SUNP**



Date	Rating	Target Price
August 2, 2024	BUY	1,835
October 10, 2024	BUY	2,036
February 1, 2025	BUY	2,200
May 22, 2025	ADD	1,825
August 1, 2025	ADD	1,825
November 6, 2025	ADD	1,825
February 1, 2026	ADD	1,825
April 28, 2026	BUY	2,300

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**CHOICE RATING DISTRIBUTION & METHODOLOGY**

<b>Large Cap*</b>	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
<b>Mid &amp; Small Cap*</b>	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
<b>Other Ratings</b>	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
<b>Sector View</b>	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

\*Large Cap: More Than INR 20,000 Cr Market Cap  
\*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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