ADD

Sun Pharma

Optically in line; challenges on the US front tough to ignore

Emkay — Your success is our success

Pharmaceuticals ▸ Result Update ▸ **August 02, 2026**

CMP (Rs): 1,991 | TP (Rs): 2,100

Sun's 1QFY27 EBITDA was in line with our and street estimates, albeit aided by meaningfully lower R&D spend. Gross margin was resilient on the back of sustained domestic outperformance. However, expectations of a qoq uptick in US sales did not materialize. The impact of the persistent weakness in Sun's US generic portfolio is real – US sales are now expected to remain at ~$1.9bn for a third consecutive year despite an estimated 18% CAGR in US specialty sales over FY25-27E. While gRevlimid as well as the core US generic business would have meaningfully eroded by FY27 and the business will enter FY28 on a much lower base, AbbVie's accelerated entry into Alopecia Areata (EU approval received last week, potential USFDA approval by Feb-27) remains a key risk to Leqselvi's ramp-up. We cut our earnings estimates for Sun by ~5% owing to lower US sales + margin assumptions as well as a higher tax rate guidance (second consecutive year of a negative surprise on the ETR front; basis revised FY27E earnings, Sun is expected to post ~5% earnings CAGR over FY25-27E). Organon's own topline print for 2QCY26 (+7% qoq) was marginally positive, with the company's disclosures also pointing to the potential for higher medium-term cost synergies. Consequently, we revise our SoTP-based TP upward by 5% to Rs2,100. We expect upside to be capped in the near term, with the quarter's performance indicating that there is only so much heavy lifting that Sun's stellar domestic franchise can do (the franchise's sales share will fall to less than 1/5th post-Organon integration); retain ADD.

US sales meaningfully below expectations; domestic outperformance continues

Global specialty sales were up ~13% yoy to $351mn, below our expectations, with the qoq decline being attributed to adverse seasonality in Levulan (also expected in 2Q). US sales (10% decline in cc terms) were meaningfully below our estimate on account of lower specialty as well as generic sales. Domestic formulations growth (16% yoy vs our estimate of 13%) was above our expectations (5.4% volume growth).

KTAs from the earnings call

1) Adjusted for gRevlimid contribution in the base quarter, 1QFY27 EBITDA margin was higher yoy. 2) Leqselvi crossed 1,000 prescribers in Jun-26 and continues to expand payor access, with the majority of covered patients now available. 3) Unloxcyt is receiving positive prescriber feedback for efficacy + safety, and continues to see mom growth as more cancer centers add it to their formularies. 4) EM growth was driven by branded generics + specialty (particularly Ilumya across markets, including Romania, Brazil). 5) Sun has launched Semaglutide in South Africa, and shortly plans a partnered launch in Brazil; Sun manufactures the API + formulation in-house, and has partnered for the device. 6) R&D spend was lower due to the gap between the discontinuation of prior trials and initiation of studies for new indications (guidance retained at 6-7% of sales for FY27).

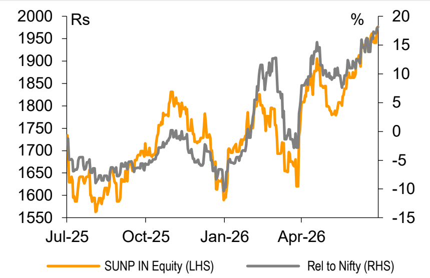
Target Price – 12M	Jun-27
Change in TP (%)	**5.0**
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	5.5

Stock Data	**SUNP IN**
52-week High (Rs)	2,048
52-week Low (Rs)	1,547
Shares outstanding (mn)	2,399.3
Market-cap (Rs bn)	4,776
Market-cap (USD mn)	50,064
Net-debt, FY27E (Rs mn)	(356,300.7)
ADTV-3M (mn shares)	3.3
ADTV-3M (Rs mn)	5,055.4
ADTV-3M (USD mn)	53.0
Free float (%)	45.5
Nifty-50	24,383.6
INR/USD	95.4
Shareholding,Jun-26	
Promoters (%)	54.5
FPIs/MFs (%)	14.5/22.2

Price Performance

(%)	**1M**	**3M**	**12M**
Absolute	6.9	10.1	16.6
Rel. to Nifty	4.6	8.3	18.5

1-Year share price trend (Rs)



Sun Pharma: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Revenue	525,784	584,620	638,977	698,847	765,416
EBITDA	152,717	177,314	190,032	210,003	233,452
Adj. PAT	119,844	124,015	130,922	145,819	163,200
Adj. EPS (Rs)	50.0	51.7	54.6	60.8	68.0
EBITDA margin (%)	29.0	30.3	29.7	30.1	30.5
EBITDA growth (%)	17.3	16.1	7.2	10.5	11.2
Adj. EPS growth (%)	19.0	3.5	5.6	11.4	11.9
RoE (%)	17.6	15.9	14.9	14.9	15.1
RoIC (%)	21.2	21.4	20.5	21.9	23.5
P/E (x)	39.8	38.5	36.5	32.7	29.3
EV/EBITDA (x)	30.2	26.0	24.3	22.0	19.8
P/B (x)	6.6	5.7	5.2	4.7	4.2
FCFF yield (%)	2.6	(0.2)	2.5	2.8	3.1

Source: Company, Emkay Research

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Exhibit 1: Sun Pharma – 1QFY27 earnings snapshot

Sun Pharma - P&L	1QFY26A	1QFY27A	yoy chg	1QFY27E	Delta vs Emkay est	1QFY27E (consensus)	Delta vs consensus	4QFY26A	qoq chg
(Rs mn)									
Total sales	137,861	151,836	10%	154,058	-1%			145,598	4%
Other op. income	653	1,163	78%	635	83%			520	124%
Total revenue from operations	**138,514**	**152,999**	**10%**	**154,693**	**-1%**	**155,271**	**-1%**	**146,118**	**5%**
Raw material	28,148	29,632	5%	30,629	-3%			28,011	6%
Gross Profit	110,366	123,367	12%	124,064	-1%			118,107	4%
- Gross Margin	79.7%	80.6%	95bps	80.2%	43bps			80.8%	-20bps
Staff costs	28,017	32,272	15%	31,026	4%			29,604	9%
Other expenses	39,333	46,918	19%	49,187	-5%			48,961	-4%
EBITDA	**43,017**	**44,177**	**3%**	**43,851**	**1%**	**43,716**	**1%**	**39,542**	**12%**
- EBITDA Margin	31.1%	28.9%	-218bps	28.3%	53bps	28.2%	72bps	27.1%	181bps
Other income	4,645	7,236	56%	5,654	28%			4,585	58%
Finance Costs	748	997	33%	903	10%			859	16%
Depreciation	7,006	7,387	5%	7,903	-7%			7,755	-5%
Profit Before Tax (PBT)	39,908	43,029	8%	40,698	6%			35,513	21%
Tax	9,707	11,974	23%	9,971	20%			7,909	51%
- Tax rate	24.3%	27.8%	351bps	24.5%	333bps			22.3%	556bps
Minority Interest and JVs	240	160		250				97	
Exceptional income (expense)	(7,175)	(1,947)		-				(367)	
Reported Net Profit	**22,786**	**28,948**	**27%**	**30,477**	**-5%**			**27,140**	**7%**
Reported EPS (Rs)	**9.5**	**12.1**	**27%**	**12.7**	**-5%**			**11.3**	**7%**
Net Profit - Adjusted	**29,961**	**30,895**	**3%**	**30,477**	**1%**	**29,741**	**4%**	**27,507**	**12%**
EPS – Adjusted (Rs)	**12.5**	**12.9**	**3%**	**12.7**	**1%**			**11.5**	**12%**
Cost ratios (%)	**1QFY26A**	**1QFY27A**	**yoy chg**	**1QFY27E**	**Delta vs Emkay est**			**4QFY26A**	**qoq chg**
Raw Material costs	20.3	19.4	-95bps	19.8	-43bps			19.2	20bps
Staff Cost	20.2	21.1	87bps	20.1	104bps			20.3	83bps
Other expenses	28.4	30.7	227bps	31.8	-113bps			33.5	-284bps
Sales Break-up	**1QFY26A**	**1QFY27A**	**yoy chg**	**1QFY27E**	**Delta vs Emkay est**			**4QFY26A**	**qoq chg**
Domestic Formulations	47,211	54,749	16%	53,169	3%			48,359	13%
US	40,452	40,419	0%	44,510	-9%			41,997	-4%
Emerging Markets	25,531	29,456	15%	28,826	2%			27,971	5%
RoW Formulations	18,736	20,686	10%	21,382	-3%			20,140	3%
APIs	5,404	5,972	11%	5,736	4%			6,739	-11%
Others	527	553	5%	434	27%			393	41%
Total sales	**137,861**	**151,836**	**10%**	**154,058**	**-1%**			**145,598**	**4%**

Source: Company, Bloomberg, Emkay Research

Exhibit 2: Changes to estimates

(Rs mn)	FY27E			FY28E			FY29E		
	Old	**New**	**Change**	**Old**	**New**	**Change**	**Old**	**New**	**Change**
Domestic formulations	217,017	219,331	1%	241,973	245,651	2%	269,800	275,129	2%
% of total revenue	33.6%	34.3%		34.1%	35.2%		34.6%	35.9%	
US formulations	187,550	179,635	-4%	203,807	192,890	-5%	223,608	209,244	-6%
% of total revenue	29.0%	28.1%		28.7%	27.6%		28.7%	27.3%	
EM + ROW formulations	214,340	211,770	-1%	233,631	229,473	-2%	254,658	248,668	-2%
% of total revenue	33.2%	33.1%		32.9%	32.8%		32.7%	32.5%	
API	22,945	23,601	3%	25,240	25,961	3%	26,502	27,259	3%
% of total revenue	3.6%	3.7%		3.6%	3.7%		3.4%	3.6%	
Net sales	643,589	636,073	-1%	706,475	695,798	-2%	776,483	762,215	-2%
Total income	**646,129**	**638,977**	**-1%**	**709,142**	**698,847**	**-1%**	**779,283**	**765,416**	**-2%**
Gross profit	519,488	513,993	-1%	571,568	563,270	-1%	629,661	618,456	-2%
% margin	80.4%	80.4%		80.6%	80.6%		80.8%	80.8%	
EBITDA	**196,746**	**190,032**	**-3%**	**219,479**	**210,003**	**-4%**	**245,085**	**233,452**	**-5%**
- margin	**30.5%**	**29.7%**		**31.0%**	**30.1%**		**31.5%**	**30.5%**	
PAT	**136,766**	**130,922**	**-4%**	**154,118**	**145,819**	**-5%**	**173,885**	**163,200**	**-6%**
EPS (Rs)	**57.0**	**54.6**	**-4%**	**64.2**	**60.8**	**-5%**	**72.5**	**68.0**	**-6%**

Source: Emkay Research

Sun Pharma: Consolidated Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	**525,784**	**584,620**	**638,977**	**698,847**	**765,416**
Revenue growth (%)	8.4	11.2	9.3	9.4	9.5
EBITDA	**152,717**	**177,314**	**190,032**	**210,003**	**233,452**
EBITDA growth (%)	17.3	16.1	7.2	10.5	11.2
Depreciation & Amortization	25,754	29,379	30,671	33,545	36,740
EBIT	**126,963**	**147,936**	**159,361**	**176,459**	**196,712**
EBIT growth (%)	21.3	16.5	7.7	10.7	11.5
Other operating income	5,372	2,419	2,903	3,048	3,201
Other income	19,650	19,717	24,920	27,255	29,851
Financial expense	2,314	3,389	3,771	2,796	1,836
PBT	**144,300**	**164,264**	**180,510**	**200,918**	**224,728**
Extraordinary items	(10,553)	(9,221)	(1,947)	0	0
Taxes	23,946	39,398	48,738	54,248	60,676
Minority interest	(511)	(851)	(851)	(851)	(851)
Income from JV/Associates	-	-	-	-	-
Reported PAT	**109,290**	**114,794**	**128,975**	**145,819**	**163,200**
PAT growth (%)	14.1	5.0	12.4	13.1	11.9
Adjusted PAT	**119,844**	**124,015**	**130,922**	**145,819**	**163,200**
Diluted EPS (Rs)	**50.0**	**51.7**	**54.6**	**60.8**	**68.0**
Diluted EPS growth (%)	19.0	3.5	5.6	11.4	11.9
DPS (Rs)	**15.1**	**16.4**	**17.0**	**19.0**	**21.0**
Dividend payout (%)	**30.2**	**31.8**	**31.2**	**31.3**	**30.9**
EBITDA margin (%)	29.0	30.3	29.7	30.1	30.5
EBIT margin (%)	24.1	25.3	24.9	25.3	25.7
Effective tax rate (%)	16.6	24.0	27.0	27.0	27.0
NOPLAT (pre-IndAS)	**105,894**	**112,454**	**116,333**	**128,815**	**143,600**
Shares outstanding (mn)	2,399	2,399	2,399	2,399	2,399

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	2,399	2,399	2,399	2,399	2,399
Reserves & Surplus	719,781	833,302	923,440	1,023,678	1,136,500
Net worth	**722,180**	**835,701**	**925,839**	**1,026,078**	**1,138,899**
Minority interests	2,679	3,097	3,948	4,799	5,650
Non-current liab. & prov.	14,179	22,522	22,522	22,522	22,522
Total debt	**18,696**	**40,816**	**30,504**	**20,504**	**10,504**
Total liabilities & equity	**757,735**	**902,135**	**982,812**	**1,073,902**	**1,177,574**
Net tangible fixed assets	100,359	111,141	113,347	116,707	121,246
Net intangible assets	125,503	217,082	222,369	227,212	231,667
Net ROU assets	-	-	-	-	-
Capital WIP	12,343	13,807	13,807	13,807	13,807
Goodwill	89,394	89,394	89,394	89,394	89,394
Investments [JV/Associates]	4,426	4,426	4,426	4,426	4,426
Cash & equivalents	**249,877**	**325,365**	**386,804**	**456,704**	**537,143**
Current assets (ex-cash)	428,496	416,032	444,240	475,484	509,777
Current Liab. & Prov.	163,271	185,717	202,181	220,439	240,491
NWC (ex-cash)	**265,225**	**230,315**	**242,059**	**255,045**	**269,286**
Total assets	**757,735**	**902,135**	**982,812**	**1,073,902**	**1,177,574**
Net debt	(231,181)	(284,549)	(356,301)	(436,201)	(526,639)
Capital employed	757,735	902,135	982,812	1,073,902	1,177,574
Invested capital	**491,088**	**558,537**	**577,775**	**598,965**	**622,198**
BVPS (Rs)	301.0	348.4	385.9	427.7	474.7
Net Debt/Equity (x)	(0.3)	(0.3)	(0.4)	(0.4)	(0.5)
Net Debt/EBITDA (x)	(1.5)	(1.6)	(1.9)	(2.1)	(2.3)
Interest coverage (x)	63.4	49.5	48.9	72.9	123.4
RoCE (%)	**20.3**	**20.7**	**20.0**	**20.3**	**20.5**

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
PBT (ex-other income)	124,649	144,546	155,590	173,663	194,876
Others (non-cash items)	(16,860)	(73,236)	24,920	27,255	29,851
Taxes paid	(4,768)	(23,139)	(48,738)	(54,248)	(60,676)
Change in NWC	9,633	43,253	(11,745)	(12,986)	(14,241)
Operating cash flow	**140,721**	**124,192**	**154,469**	**170,025**	**188,386**
Capital expenditure	(20,401)	(133,202)	(38,164)	(41,748)	(45,733)
Acquisition of business	0	0	0	0	0
Interest & dividend income	19,650	19,717	24,920	27,255	29,851
Investing cash flow	**(53,062)**	**(113,441)**	**(38,164)**	**(41,748)**	**(45,733)**
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(9,761)	22,120	(10,313)	(10,000)	(10,000)
Payment of lease liabilities	0	0	0	0	0
Interest paid	(2,314)	(3,389)	(3,771)	(2,796)	(1,836)
Dividend paid (incl tax)	(36,173)	(39,378)	(40,783)	(45,581)	(50,379)
Others	(30,811)	(4,478)	0	0	0
Financing cash flow	**(79,058)**	**(25,126)**	**(54,866)**	**(58,377)**	**(62,215)**
Net chg in Cash	8,601	(14,374)	61,439	69,900	80,439
OCF	140,721	124,192	154,469	170,025	188,386
Adj. OCF (w/o NWC chg.)	131,088	80,938	166,214	183,010	202,627
FCFF	120,320	(9,010)	116,305	128,277	142,653
FCFE	137,656	7,318	137,455	152,736	170,669
OCF/EBITDA (%)	92.1	70.0	81.3	81.0	80.7
FCFE/PAT (%)	126.0	6.4	106.6	104.7	104.6
FCFF/NOPLAT (%)	**113.6**	**(8.0)**	**100.0**	**99.6**	**99.3**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	39.8	38.5	36.5	32.7	29.3
P/CE(x)	32.8	31.1	29.6	26.6	23.9
P/B (x)	6.6	5.7	5.2	4.7	4.2
EV/Sales (x)	8.9	7.9	7.3	6.6	6.1
EV/EBITDA (x)	30.2	26.0	24.3	22.0	19.8
EV/EBIT(x)	36.3	31.2	28.9	26.1	23.4
EV/IC (x)	9.4	8.3	8.0	7.7	7.4
FCFF yield (%)	2.6	(0.2)	2.5	2.8	3.1
FCFE yield (%)	2.9	0.2	2.9	3.2	3.6
Dividend yield (%)	0.8	0.8	0.9	1.0	1.1
DuPont-RoE split					
Net profit margin (%)	22.8	21.2	20.5	20.9	21.3
Total asset turnover (x)	0.7	0.7	0.7	0.7	0.7
Assets/Equity (x)	1.1	1.1	1.1	1.1	1.0
RoE (%)	**17.6**	**15.9**	**14.9**	**14.9**	**15.1**
DuPont-RoIC					
NOPLAT margin (%)	20.1	19.2	18.2	18.4	18.8
IC turnover (x)	1.1	1.1	1.1	1.2	1.3
RoIC (%)	**21.2**	**21.4**	**20.5**	**21.9**	**23.5**
Operating metrics					
Core NWC days	184.1	143.8	138.3	133.2	128.4
Total NWC days	**184.1**	**143.8**	**138.3**	**133.2**	**128.4**
Fixed asset turnover	2.3	2.1	1.9	2.1	2.2
Opex-to-revenue (%)	50.5	49.9	50.7	50.6	50.3

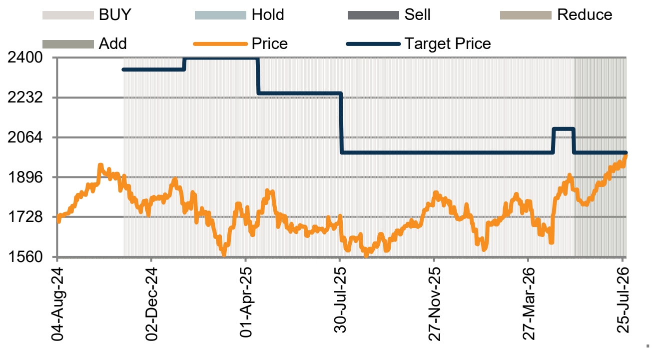
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
24-May-26	1,845	2,000	Add	Shashank Krishnakumar
28-Apr-26	1,747	2,100	Buy	Shashank Krishnakumar
01-Feb-26	1,610	2,000	Buy	Shashank Krishnakumar
06-Nov-25	1,686	2,000	Buy	Shashank Krishnakumar
21-Sep-25	1,656	2,000	Buy	Shashank Krishnakumar
04-Sep-25	1,582	2,000	Buy	Shashank Krishnakumar
01-Aug-25	1,630	2,000	Buy	Shashank Krishnakumar
23-May-25	1,684	2,250	Buy	Shashank Krishnakumar
17-Apr-25	1,752	2,250	Buy	Shashank Krishnakumar
10-Apr-25	1,652	2,400	Buy	Shashank Krishnakumar
06-Mar-25	1,614	2,400	Buy	Shashank Krishnakumar
01-Feb-25	1,742	2,400	Buy	Shashank Krishnakumar
21-Jan-25	1,763	2,400	Buy	Shashank Krishnakumar
13-Jan-25	1,747	2,400	Buy	Shashank Krishnakumar
04-Nov-24	1,809	2,350	Buy	Shashank Krishnakumar
29-Oct-24	1,872	2,350	Buy	Shashank Krishnakumar
27-Oct-24	1,860	2,350	Buy	Shashank Krishnakumar

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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