

BUY

TP: Rs 2,003 | ▲ 17%

SUN PHARMA

| Pharmaceuticals

| 01 August 2025

Innovative products sales growth to continue on higher base

- Earnings on an adjusted basis are in-line. Global innovative sales 8% above our estimated to USD 311mn
- New launches in innovative products aid in EBITDA margin scaling to 30%
- Factoring in higher growth in new launches and domestic region, we roll forward on June'27 basis, ascribing a PE of 39x. Maintain BUY

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Broadly in-line result: Sales grew by 8.5%, driven by 14% growth from domestic region (12.7% above BoB estimates), 4% growth from the US region (10% below BoB estimates), 7% growth in EMs (14% above our estimates) and 18% growth in RoW (4% below BoB estimates) and 9.9% growth in the API segment. Healthy product mix resulted in 79.7% gross margin. Healthy gross margin and moderate SG&A expense resulted in 11% EBITDA, implying 29.4% EBITDA margin. During the quarter, PAT declined by 20% as there was an exceptional loss towards discontinuation of development work of SCD-044, adjusting against it, PAT declined by 0.6%.

Domestic business continues to grow in double digits: During the quarter, domestic sales growth of 14% was driven by volume growth as it continues to rank no.1 in Rx across 13 categories and 5 new product launches. Management expects to launch GLP products in India in the first wave as the market opens. We expect the leadership position in the existing business to sustain; and hence, expect sales to grow at 9% CAGR in FY26-28E.

US sales growth to be driven by innovative products: SUNP's global innovative sales grew by 17% YoY to USD 311mn. From the global innovative sales, 80-90% is driven from the US market. We expect US innovative sales to be ~USD 280 mn in 1QFY26, driven by growing innovative assets like Ilumya, Winlevi, Odomzo, Cequa etc. During the quarter, gRevlimid sales were better than Q4FY25. Sun's innovative sales will likely increase from launch of Leqselvi and Unloxcyt, so US region sales should grow at 6% CAGR to USD 2.3bn in FY28E.

Valuation: With the spread out of launch cost and phasing out of gRevlimid in H2FY26, we expect EBITDA margin to report at 28.5% in FY26 and scale up to 30% in FY27, as the full year impact of new launches will be seen. Having factored all positives, we have maintained our estimates. However, due to sustainable higher growth in its key innovative products and new launches in the innovative segment, we ascribe a PE of 39x on June'27 roll over basis to arrive at a PT of Rs 2003.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	SUNP IN/Rs 1,707
Market cap	US\$ 46.7bn
Free float	45%
3M ADV	US\$ 47.5mn
52wk high/low	Rs 1,960/Rs 1,553
Promoter/FPI/DII	54%/16%/20%

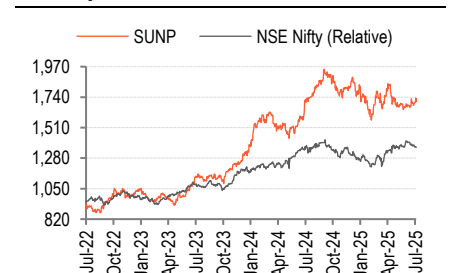
Source: NSE | Price as of 31 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	525,785	564,062	610,227
EBITDA (Rs mn)	153,869	160,622	182,964
Adj. net profit (Rs mn)	118,260	117,813	135,950
Adj. EPS (Rs)	49.3	49.1	56.7
Consensus EPS (Rs)	45.7	51.8	59.2
Adj. ROAE (%)	16.9	15.2	15.4
Adj. P/E (x)	34.6	34.8	30.1
EV/EBITDA (x)	25.5	24.0	20.6
Adj. EPS growth (%)	16.2	(0.4)	15.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Earnings Call highlight

Guidance

ETR to be in 25%

Gross Margin - was favourable, aided by lower material cost due to a better product mix and a higher share of sales from innovative medicines.

Domestic region - ranks No. 1 and holds 8.3% market share vs corresponding quarter of the previous period which was 8%.

US region –

Emerging Market - accounted for 18.5% of total consolidated revenue for Q1. Amongst the larger markets in local currency terms are Romania, Russia, South Africa which have done well.

R&D - Innovative R&D accounted for 41% of our total R&D spend.

Launch cost of USD100mn to spread over a period of 3 years. In addition to the actual cost outgo, there will also be amortization cost of the acquisition, which will start only when the product is in the market.

Innovative medicines –

Illumia with psoriatic arthritis indication - Two phase III clinical studies evaluating Illumia in active psoriatic arthritis met primary endpoint. These results support the potential regulatory submission of Illumia in the US and in other markets.

Intend to file the product before the end of CY25.

Unloxcyt - Unloxcyt is the first and only FDA approved PD-L1 treatment for advanced cutaneous squamous cell carcinoma therapy. Planning to launch Unloxcyt in the US in H2FY26.

Leqselvi - very encouraged by the early results. Already have patients that are going through Sun's hub, which is its support program. And already have our initial commercial prescriptions.

gRevlimid- contribution was higher in Q1FY26 vs 4QFY25.

Odomzo - In the US, continue to see nice growth of ODOMZO. It's really a recognition from clinicians of what the product can bring and strong execution from sales and marketing teams as well.

MFN impact - have no further information on the MFN executive order. Have not had any dialogue with the government and have not been contacted with respect to any products in the portfolio.

Tariff - Have a significant footprint in the United States already, and currently have no plans to move further manufacturing to the US. Current capacity is good enough and have no immediate plan to add on there.

GLP-1 effect on existing products - There's a lot of experience about the impact of GLP-1 on sale of existing products, both DPP-4 as-well-as GLP-2. Intend to participate in the first wave of launch in India.

Fig 1 – Financial Highlights

(Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	FY25	FY26E	FY27E	FY28E
Net Sales	138,514	126,528	9.5	129,588	6.9	525,785	564,062	610,227	657,317
Total Expenses	97,788	89,947		95,340		371,916	403,440	427,263	460,234
(%) of net sales						71	72	70	70
Raw material consumed	28,148	26,754	5	26,372		104,467	112,812	122,045	131,463
(%) of net sales	20.3	21		20		19.9	20.0	20.0	20.0
Staff cost	28,017	24,546	14	24,885	12.6	99,731	106,991	115,748	124,680
(%) of net sales	20.2	19.4		19.2		19	19	19	19
R&D cost	9,029	7,762	16	8,166	10.6	32,484	36,664	39,665	42,726
(%) of net sales	6.5	6.1		6.3		6.2	6.5	6.5	6.5
SG&A	32,595	30,884	6	35,917	-9.2	135,234	146,972	149,805	161,365
(%) of net sales	23.5	24.4		27.7		25.7	26.1	24.5	24.5
EBITDA	40,726	36,581	11.3	34,249	18.9	153,869	160,622	182,964	197,083
Depreciation	7,006	6,551	6.9	6,638	5.5	25,736	26,977	28,279	29,647
EBIT	33,721	30,029	12.3	27,611	22.1	128,133	133,646	154,685	167,436
Interest	748	615	21.5	491	52.2	2,314	1,303	1,040	843
Other Income	4,645	5,326	(12.8)	6,129	(24.22)	19,650	16,739	18,109	19,506
PBT	37,617	34,740	8.3	33,248	13.1	145,470	149,082	171,753	186,099
Less: Taxation	8,702	5,523		10,937		27,720	29,816	34,351	37,220
Less: Minority Interest	240	356		107		(511)	1,452	1,452	1,452
PAT	28,676	28,861	(0.6)	22,204	29.1	118,260	117,813	135,950	147,427
Exceptional items	(5,890)	(505)		(704)		(6,779)	0	0	0
Adjusted PAT	22,786	28,357	(19.6)	21,499	6.0	111,482	117,813	135,950	147,427
Key Ratios (%)									
Gross Margin	79.7	78.9	82	79.6	3	80.1	80.0	80.0	80.0
EBITDA Margin	29.4	28.9	49	26.4	297	29.3	28.5	30.0	30.0
Tax / PBT	23.1	15.9		32.9		19.1	20.0	20.0	20.0
NPM	20.7	22.8		17.1		22.5	20.9	22.3	22.4
EPS (Rs)	9.5	11.8		9.0		49.3	49.1	56.7	61.4

Source: Company, BOBCAPS Research

Valuation Methodology

Sun's earnings were in line with our estimates where sales/APAT were 2% above and PAT was 1.5% below our estimates. Global innovative products reported USD 311mn sales during the quarter resulting in healthy product mix and moderation in API prices led to 79.7% gross margin. During the quarter, there was lower spend from USD 100 mn launch cost and discontinued trials from SCD-044 led to lower R&D cost, resulting in 29.4% EBITDA margin.

Going forward, growth in innovative sales to continue on growing assets like Ilumya, Cequa, Winlevi, Odomzo; expect new launches like Leqselvi and Unloxyct to clock higher growth.

However, due to the spread out of launch cost and phasing out of gRevlimid in H2FY26, we expect EBITDA margin to report at 28.5% in FY26 and scale up to 30% in FY27 as the full year impact of new launches will be seen. Having factored all positives, we have maintained our estimates. However, due to sustainable higher growth in its key innovative products and new launches in the innovative segment, we ascribe a PE of 39x on June'27 roll over basis to arrive at TP of Rs 2,003.

Fig 2 – Change in Estimates

(Rs mn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	564,062	610,227	564,062	610,227	0.0	(0.0)
EBITDA	160,622	182,964	160,622	182,964	0.0	(0.0)
EBITDA margin (%)	28.5	30.0	28.5	30.0	0.01	0.00
EPS (Rs)	49.1	56.7	49.1	56.7	0.0	0.0

Source: Company, BOBCAPS Research

Key downside risks to our estimates:

- any regulatory hurdle affecting the completion of Checkpoint's acquisition
- continued regulatory hindrances to plants under USFDA scrutiny
- deterioration in the US generic pricing environment
- reduced market share and heightened competition for gRevlimid

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	484,969	525,785	564,062	610,227	657,317
EBITDA	129,884	153,869	160,622	182,964	197,083
Depreciation	25,566	25,736	26,977	28,279	29,647
EBIT	104,317	128,133	133,646	154,685	167,436
Net interest inc./(exp.)	(2,385)	(2,314)	(1,303)	(1,040)	(843)
Other inc./(exp.)	13,542	19,650	16,739	18,109	19,506
Exceptional items	0	0	0	0	0
EBT	115,474	145,470	149,082	171,753	186,099
Income taxes	14,395	27,720	29,816	34,351	37,220
Extraordinary items	(5,305)	(8,634)	0	0	0
Min. int./Inc. from assoc.	(721)	(511)	1,452	1,452	1,452
Reported net profit	96,496	109,626	117,813	135,950	147,427
Adjustments	5,305	8,634	0	0	0
Adjusted net profit	101,801	118,260	117,813	135,950	147,427

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	56,533	61,843	64,597	70,552	75,997
Other current liabilities	36,579	44,373	44,565	44,777	45,009
Provisions	57,715	66,202	72,357	79,127	86,575
Debt funds	32,737	23,622	18,612	14,855	12,037
Other liabilities	0	0	0	0	0
Equity capital	2,399	2,399	2,399	2,399	2,399
Reserves & surplus	669,546	722,460	825,897	938,957	1,061,426
Shareholders' fund	671,945	724,860	828,297	941,357	1,063,826
Total liab. and equities	855,508	920,899	1,028,427	1,150,668	1,283,444
Cash and cash eq.	98,919	116,208	208,336	313,686	418,831
Accounts receivables	112,494	130,461	128,266	137,092	147,671
Inventories	98,683	102,433	100,449	100,311	108,052
Other current assets	102,335	95,956	95,956	95,956	95,956
Investments	150,258	183,538	183,538	183,538	183,538
Net fixed assets	109,090	100,359	108,106	103,294	98,288
CWIP	53,539	66,440	73,084	80,392	88,431
Intangible assets	130,191	125,503	125,503	125,503	125,503
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	855,508	920,899	1,023,239	1,139,773	1,266,271

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	132,005	146,594	153,991	163,601	166,211
Capital expenditures	(24,688)	(37,591)	(28,994)	(30,776)	(32,680)
Change in investments	(1,957)	(33,280)	0	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(26,645)	(70,872)	(28,994)	(30,776)	(32,680)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(36,122)	(9,115)	(5,010)	(3,757)	(2,818)
Interest expenses	(2,385)	(2,314)	(1,303)	(1,040)	(843)
Dividends paid	(17,387)	(19,753)	(21,228)	(24,496)	(26,564)
Other financing cash flows	(7,810)	(39,624)	7,044	1,818	1,839
Cash flow from financing	(63,703)	(70,805)	(20,496)	(27,476)	(28,386)
Chg in cash & cash eq.	41,657	4,916	104,501	105,350	105,145
Closing cash & cash eq.	98,919	103,835	208,336	313,686	418,831

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	40.2	45.7	49.1	56.7	61.5
Adjusted EPS	42.4	49.3	49.1	56.7	61.5
Dividend per share	7.2	8.2	8.8	10.2	11.1
Book value per share	265.8	301.0	343.5	389.9	0.0

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	8.1	7.5	6.8	6.2	5.6
EV/EBITDA	30.4	25.5	24.0	20.6	18.6
Adjusted P/E	40.2	34.6	34.8	30.1	27.8
P/BV	6.4	5.7	5.0	4.4	

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	88.2	81.3	79.0	79.2	79.2
Interest burden (PBT/EBIT)	110.7	113.5	111.5	111.0	111.1
EBIT margin (EBIT/Revenue)	21.5	24.4	23.7	25.3	25.5
Asset turnover (Rev./Avg TA)	14.6	14.8	14.5	14.1	13.7
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.3	1.2	1.2
Adjusted ROAE	16.1	16.9	15.2	15.4	14.7

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	10.5	8.4	7.3	8.2	7.7
EBITDA	6.7	18.5	4.4	13.9	7.7
Adjusted EPS	18.8	16.2	(0.4)	15.4	8.4

Profitability & Return ratios (%)

EBITDA margin	26.8	29.3	28.5	30.0	30.0
EBIT margin	21.5	24.4	23.7	25.3	25.5
Adjusted profit margin	21.0	22.5	20.9	22.3	22.4
Adjusted ROAE	16.1	16.9	15.2	15.4	14.7
ROCE	15.1	16.4	14.8	16.0	15.4

Working capital days (days)

Receivables	85	84	83	82	82
Inventory	77	70	65	60	60
Payables	205	207	209	211	211

Ratios (x)

Gross asset turnover	1.3	1.3	1.4	1.4	1.4
Current ratio	2.7	2.6	2.9	3.3	3.7
Net interest coverage ratio	43.7	55.4	102.6	148.8	198.7
Adjusted debt/equity	(0.3)	(0.4)	(0.5)	(0.5)	(0.6)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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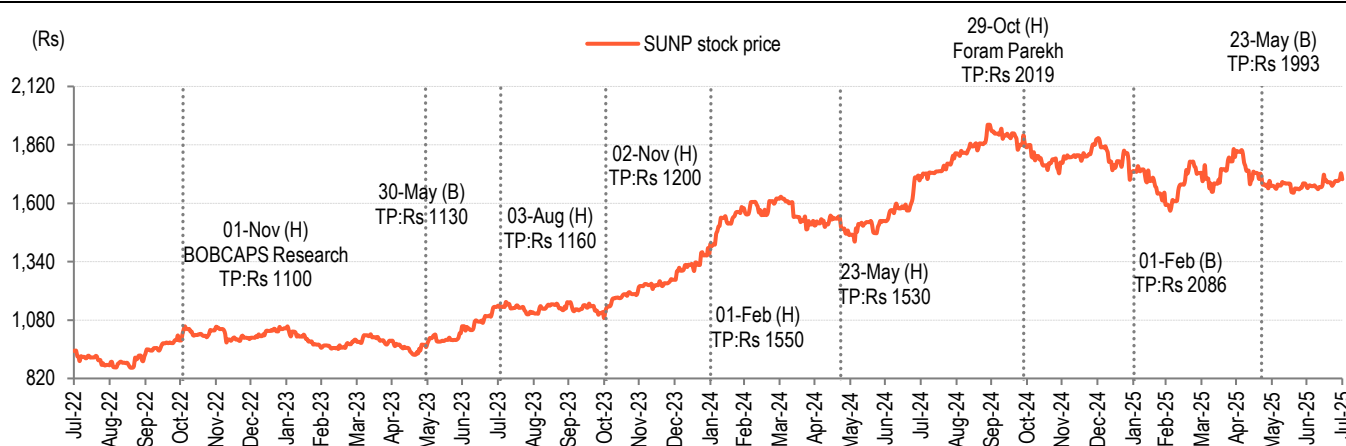
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): SUN PHARMA (SUNP IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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