

BUY
 TP: Rs 2,124 | ▲ 15%

SUN PHARMA

Pharmaceuticals

24 May 2026

Higher R&D spend leads to better sales across geographies

- Sales/EBITDA/PAT came 1.4%/-13.5%/-4.3% below estimates. Gross Margin was 103 bps higher; EBITDA Margin 416 bps below estimates
- Excluding new indication, Ilumya sales can clock USD 1.2bn by FY29E and global innovative sales can clock USD 2.2bn by FY29E
- We maintain estimates, continue to ascribe 34x PE and roll forward to Mar'28 EPS to arrive at TP of Rs 2,124 (earlier Rs 2109). Maintain BUY

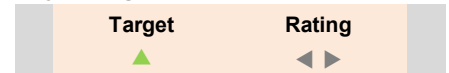
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Mixed set of earnings: Sun Pharma (SUNP) reported sales growth of 12% YoY to Rs 146bn in Q4FY26, driven by 14.8% YoY growth in domestic region, 4.5% YoY growth in the US region, 24% YoY growth in the EMs and 16% YoY growth in the RoW region. The API segment also grew by 20% YoY. Healthy product mix and moderate 6.2% YoY growth in the RM cost led to 14% YoY growth in the gross profit to Rs 118bn. Gross margin increased by 118 bps YoY to 80.8%. Employee costs rose 19% YoY; growth in R&D cost was 19.5% YoY and Other expenses (ex of R&D) went up by 21% YoY — leading to 3% YoY growth in EBITDA to Rs 35.27bn. Thus, EBITDA Margin declined by 229 bps to 24.1%. There was an exceptional gain of Rs 4.5bn towards forex — which led to a 26% YoY growth in reported PAT to Rs 27.14bn. Adjusting against the exceptional cost, PAT grew by 3% YoY to Rs 22.9bn.

Domestic business continues to shine: Sales came in line with our estimates, rising 14.8% to Rs 48.3bn — driven by 6% volume growth and new launches. The company continues to rank no.1 in Rx amongst 11 specialists. During the quarter, SUNP launched Semaglutide injection and oral Semaglutide has completed its trials. We expect domestic sales to grow at 12% CAGR from FY27-29 to Rs 274.76bn.

Valuation: At CMP, the stock is trading at a PE of 34.86x on FY27 EPS of Rs 52.9 and 29.69x on FY28 EPS of Rs 62.1. We continue to value the stock at 34x, due to 1) pickup in the innovative portfolio in both US and ex. of US regions 2) continuous double-digit growth in the domestic region 3) Ilumya sales to report 1bn sales (ex of new indication) and 4) ex of Organon portfolio, we expect global innovative portfolio sales to increase to USD2bn thus sustaining 80% Gross Margin. On roll forward to Mar'28 EPS, we arrive at TP of Rs 2,124 on the stock (Rs 2,109 earlier).

Key changes



Ticker/Price	SUNP IN/Rs 1,845
Market cap	US\$ 46.8bn
Free float	45%
3M ADV	US\$ 73.1mn
52wk high/low	Rs 1,917/Rs 1,548
Promoter/FPI/DII	54%/16%/20%

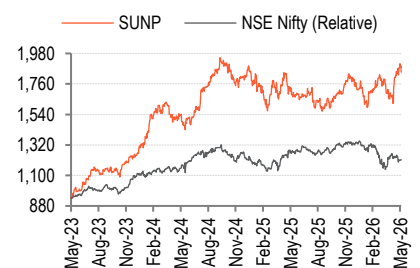
Source: NSE | Price as of 22 May 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	584,620	639,439	705,051
EBITDA (Rs mn)	164,912	187,042	216,810
Adj. net profit (Rs mn)	115,467	126,991	149,078
Adj. EPS (Rs)	48.1	52.9	62.1
Consensus EPS (Rs)	49.3	49.3	49.3
Adj. ROAE (%)	14.8	14.4	15.2
Adj. P/E (x)	38.3	34.8	29.7
EV/EBITDA (x)	28.6	25.6	22.5
Adj. EPS growth (%)	1.1	10.0	17.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Global innovative sales witnesses' healthy traction across geographies – During Q4FY26, global innovative sales rose 20% YoY, but declined by 16% QoQ to USD 354 mn, due to the lack of milestone income (ex. of milestone incomes, declined by 4% QoQ). For FY26, the portfolio grew by 16.8% YoY to USD 1,420mn. The growth was driven by 17% YoY growth in Ilumya to USD 796 mn and other products like Odomzo, Cequa and Winlevi. Going forward, the company expects healthy traction across portfolio like Leqselvi, Unloxcyt and all other existing brands. Thus, we expect this segment to grow at a CAGR of 14.5% from FY27-29 to USD 2.15bn by FY29E.

EMs & ROW region growth on an uptick in the innovative business: During Q4FY26, the region grew by 20.6% YoY to Rs 48.1bn. Growth came primarily on the back of an innovative portfolio as well as a healthy traction in the branded portfolio. In EMs, Ilumya continues to do well across countries like Romania, Brazil and China. In RoW region too, innovative medicines like Ilumya and Odomzo led to higher traction. Overall, SUNP's launch of Ilumya has increased from 35 countries to 40 countries. On a combined geographical basis, we expect the region to grow at a CAGR of 8% from FY27-29E to Rs 224.9bn in FY29.

US region growth driven by innovative products: During the quarter, US sales grew by 4.5% YoY to Rs 41.9bn. In cc terms, sales declined by 1% YoY to USD 459mn. The growth is largely driven by the innovative portfolio, which offset the decline of generic portfolio including gRevlimid in the base. We believe the US innovative portfolio would have grown ~20% YoY to USD 319 mn and clocked USD 1.2bn in FY26 led by new launches and uptick in existing products like Ilumya, Odomzo, Cequa, etc. Going forward, we expect the region to grow at 12% CAGR from FY27-29 to Rs 243.9bn in FY29E, on the back of a strong innovative portfolio.

Increase in R&D spend to strengthen innovative portfolio: During Q4FY26, R&D spend grew by 19.5% YoY to Rs 9.75bn and contributed 6.7% to sales. The spend was incurred towards building the pipeline for both generics as well as innovative products. Innovative R&D contributed 36.9% of the total R&D cost. The healthy spend is visible in higher generic/branded growth across geographies like EMs, ROW and domestic regions. We expect the company's R&D spend to grow at a CAGR of 11% from FY27-29E to Rs 46.8 bn by FY29E — sustaining 6% contribution, given the intentions to strengthen innovative portfolio for offsetting the decline in generics portfolio amidst regulatory problems.

FY27 outlook: Sun Pharma outlays FY27 guidance where it expects

1) sales to grow in high single digit 2) R&D spend to contribute 6-7% of sales 3) ETR of 25%.

Fig 1 – Quarterly snapshot

(Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Q4FY26E	Var. (%)
Net Sales	146,118	129,588	12.8	155,205	(5.9)	144,152	1.4
Total Expenses	110,843	95,340	16.3	107,260	3.3	103,357	7.2
(%) of net sales	76	74		69		72	
Raw material consumed	28,011	26,372	6.2	29,451	(4.9)	29,119	(3.8)
(%) of net sales	19.2	20		19		20	
Staff cost	29,604	24,885	19.0	28,920	2.4	28,830	2.7
(%) of net sales	20.3	19.2		18.6		20.0	
R&D cost	9,757	8,166	19.5	8,928	9.3	7,928	23.1
(%) of net sales	6.7	6.3		5.8		5.5	
SG&A	43,471	35,917	21.0	39,961	8.8	37,479	16.0
(%) of net sales	29.8	27.7		25.7		26.0	
EBITDA	35,275	34,249	3.0	47,946	(26.4)	40,795	(13.5)
PBT	31,246	33,248	(6.0)	45,627	(31.5)	38,321	
Less: Taxation	8,276	10,937		8,261		9,645	(14.2)
PAT	22,970	22,311	3.0	37,044	(38.0)	28,353	(19.0)
Less: Minority Interest	97	107		323		323	(70.0)
Exceptional items	4,268	(704)		(3,355)		0	
PAT attributable to shareholders	27,140	21,499	26.2	33,689	(19.4)	28,353	(4.3)
Key Ratios (%)							
Gross Margin	80.8	79.6	118bps	81.0	(19bps)	79.8	103bps
EBITDA Margin	24.1	26.4	(229bps)	30.9	(675bps)	28.3	(416bps)
Tax / PBT	26.5	32.9	(641bps)	18.1	838bps	25.2	132bps
NPM	15.7	17.2	(150bps)	23.9	(815bps)	19.7	(395bps)
EPS (Rs)	11.3	9.0	26.2bps	14.0	(19.4bps)	11.8	(4.3bps)

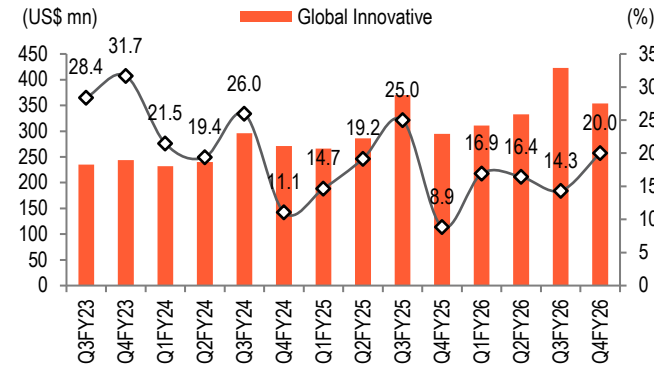
Source: Company, BOBCAPS Research

Fig 2 – Segmental Sales

(Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Q4FY26E	Var. (%)
Formulation	138,466	122,235	13.3	148,880	(7.0)	138,544	(0.1)
Domestic	48,359	42,130	14.8	49,986	(3.3)	48,449	(0.2)
Exports	90,107	80,105	12.5	98,895	(8.9)	90,095	0.0
US	41,997	40,204	4.5	42,505	(1.2)	42,214	(0.5)
EM & ROW	48,110	39,901	20.6	56,390	(14.7)	47,881	0.5
EM	27,971	22,561	24.0	22,561	24.0	28,367	(1.4)
ROW	20,140	17,340	16.1	17,340	16.1	20,415	(1.3)
APIs and others	7,131	5,921	20.4	5,810	22.7	5,607	27.2
Net Sales	145,598	128,156	13.6	154,691	(5.9)	144,152	1.0
OOI	520	1,433	NA	515	NA	-	
Revenue	146,118	129,588	12.8	155,205	(5.9)	144,152	1.4

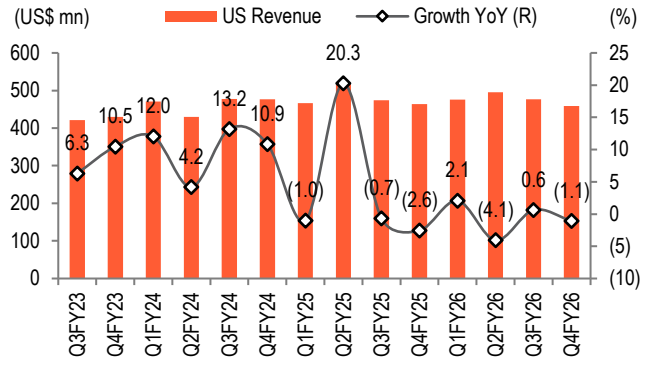
Source: Company, BOBCAPS Research

Fig 3 – Global innovative sales growth increased YoY, led by 2 new launches



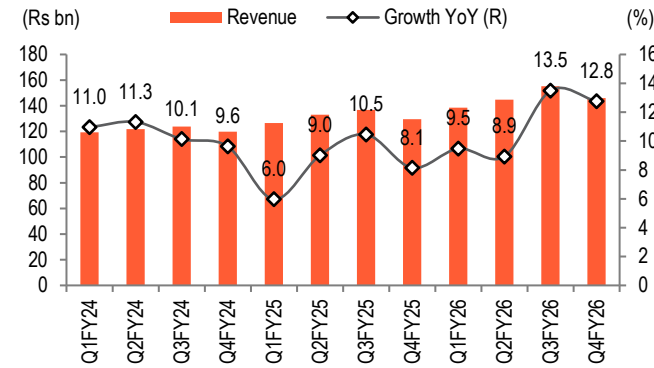
Source: Company, BOBCAPS Research

Fig 4 – US sales growth lower, due to decline in generics business



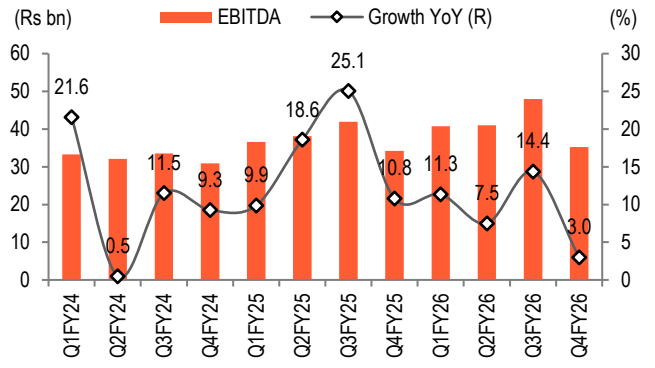
Source: Company, BOBCAPS Research

Fig 5 – Sales growth driven by an uptick across geographies



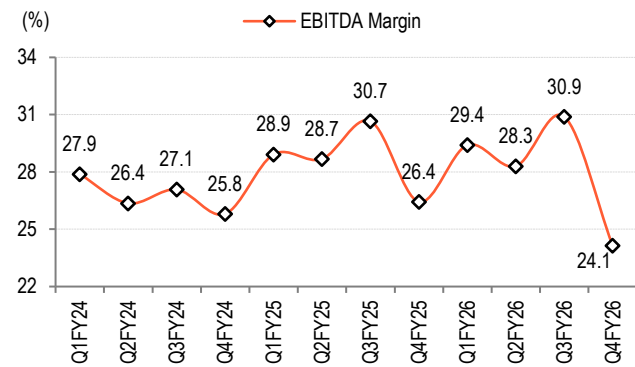
Source: Company, BOBCAPS Research

Fig 6 – EBITDA growth lowered due to operational deleverage



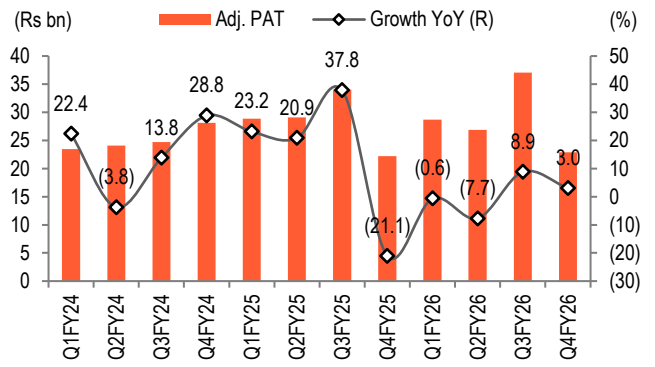
Source: Company, BOBCAPS Research

Fig 7 – EBITDA M lowered sequentially on higher R&D cost



Source: Company, BOBCAPS Research

Fig 8 – APAT marginally lower due to lower operations



Source: Company, BOBCAPS Research

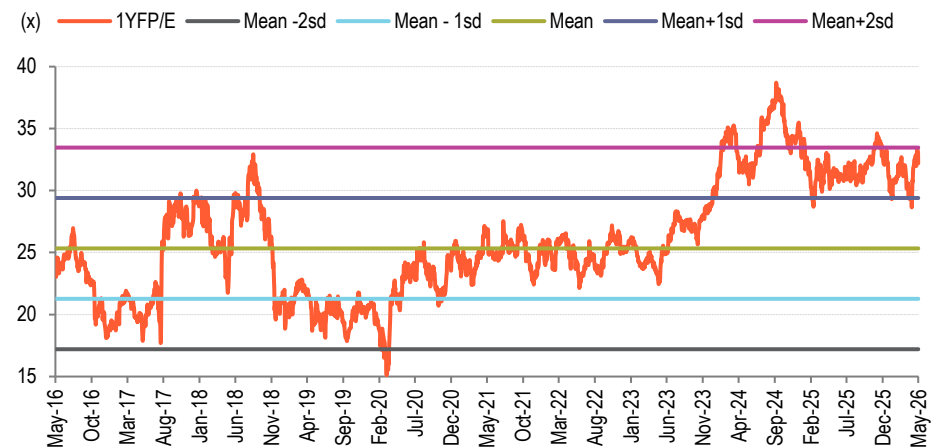
Valuation Methodology

SUNP earnings miss on EBITDA level resulted due to higher R&D spend and elevated Other expenses ex of R&D towards launches of Leqselvi and Unloxyt. Going forward, contribution from Other expenses (ex. of R&D) to likely stay high as SUNP intends forming an aggressive front-end for new launches and creating a market outside of the US — where innovative products like Odomzo, Cequa, Winlevi etc., are witnessing healthy traction. Thus, we expect SUNP's EBITDA margin to report at 29.3% in FY27E, 30.8% in FY28E and 30.8% in FY29E.

Factoring in higher Other Income due to rise in cash balance, our EPS increases marginally by 1.8% in FY27 and 3.6% in FY28E. We introduce FY29 estimates and our Sales/EBITDA/PAT CAGR by 11%, 13%/14% respectively. Thus, we maintain our BUY rating on the stock.

At CMP, the stock is trading at a PE of 34.86x on FY27 EPS of Rs 52.9 and 29.69x on FY28 EPS of Rs 62.1. We continue to value the stock at 34x, due to 1) pickup in the innovative portfolio in both US and ex. of US regions 2) continuous double-digit growth in the domestic region 3) Ilumya sales to report 1bn sales (ex of new indication) 4) ex of Organon portfolio, we expect global innovative portfolio sales to increase to USD2bn; thus sustaining 80% Gross Margin. On roll forward to Mar'28 EPS, we arrive at TP of Rs 2,124 on the stock (Rs 2,109 earlier)

Fig 9 – PE Band



Source: Company, BOBCAPS Research

Key Risks

Key downside risks to our estimates:

- Lack of timely approval for Ilumya's new indication
- Lack of pick-up in innovative portfolio due to the increasing competition
- Non sustenance of volume growth in the domestic region

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	525,785	584,620	639,439	705,051	781,548
EBITDA	150,863	164,912	187,042	216,810	240,333
Depreciation	25,754	29,379	31,303	33,324	35,446
EBIT	125,109	135,534	155,739	183,486	204,887
Net interest inc./(exp.)	(2,314)	(3,389)	(3,871)	(4,049)	(4,236)
Other inc./(exp.)	19,650	19,717	18,975	20,922	23,193
Exceptional items	0	0	0	0	0
EBT	142,446	151,862	170,843	200,359	223,844
Income taxes	27,720	35,544	43,001	50,430	56,342
Extraordinary items	(4,923)	(673)	0	0	0
Min. int./Inc. from assoc.	511	851	851	851	851
Reported net profit	109,292	114,794	126,991	149,078	166,652
Adjustments	4,923	673	0	0	0
Adjusted net profit	114,215	115,467	126,991	149,078	166,652

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	61,843	73,338	73,930	81,515	90,360
Other current liabilities	44,373	58,573	58,951	59,367	59,825
Provisions	66,202	64,562	70,506	77,045	84,237
Debt funds	23,622	46,273	48,390	50,613	52,948
Other liabilities	0	0	0	0	0
Equity capital	2,399	2,399	2,399	2,399	2,399
Reserves & surplus	722,460	836,398	920,224	1,036,642	1,166,860
Shareholders' fund	724,860	838,797	922,623	1,039,042	1,169,260
Total liab. and equities	920,899	1,081,544	1,174,401	1,307,583	1,456,629
Cash and cash eq.	116,208	109,723	190,506	261,775	341,328
Accounts receivables	130,461	155,097	143,655	158,395	175,581
Inventories	102,433	114,929	105,113	115,899	128,474
Other current assets	95,956	95,831	95,831	95,831	95,831
Investments	183,538	247,225	271,948	299,142	329,057
Net fixed assets	100,359	111,141	116,698	122,533	128,660
CWIP	66,440	30,517	33,569	36,926	40,619
Intangible assets	125,503	217,082	217,082	217,082	217,082
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	920,899	1,081,544	1,174,401	1,307,583	1,456,629

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	146,277	129,145	184,422	168,959	185,910
Capital expenditures	(37,591)	(9,053)	(40,893)	(43,090)	(45,412)
Change in investments	(33,280)	(63,687)	(24,723)	(27,195)	(29,914)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(70,872)	(72,741)	(65,615)	(70,285)	(75,326)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(9,115)	22,651	2,117	2,223	2,334
Interest expenses	(2,314)	(3,389)	(3,871)	(4,049)	(4,236)
Dividends paid	(19,692)	(20,684)	(22,882)	(26,861)	(30,028)
Other financing cash flows	(38,749)	25,294	(14,369)	708	751
Cash flow from financing	(69,870)	23,873	(39,004)	(27,979)	(31,179)
Chg in cash & cash eq.	5,535	80,277	79,803	70,695	79,405
Closing cash & cash eq.	116,208	109,723	190,506	261,775	341,328

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	45.6	47.9	52.9	62.1	69.5
Adjusted EPS	47.6	48.1	52.9	62.1	69.5
Dividend per share	8.2	8.6	9.5	11.2	12.5
Book value per share	301.0	348.4	383.2	431.6	485.7

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	8.9	8.1	7.5	6.9	6.4
EV/EBITDA	31.0	28.6	25.6	22.5	20.8
Adjusted P/E	38.7	38.3	34.8	29.7	26.6
P/BV	6.1	5.3	4.8	4.3	3.8

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	80.2	76.0	74.3	74.4	74.4
Interest burden (PBT/EBIT)	113.9	112.0	109.7	109.2	109.3
EBIT margin (EBIT/Revenue)	23.8	23.2	24.4	26.0	26.2
Asset turnover (Rev./Avg TA)	14.8	14.6	14.2	14.2	14.1
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.3	1.3	1.3
Adjusted ROAE	16.4	14.8	14.4	15.2	15.1

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	8.4	11.2	9.4	10.3	10.8
EBITDA	16.2	9.3	13.4	15.9	10.8
Adjusted EPS	13.8	1.1	10.0	17.4	11.8
Profitability & Return ratios (%)					
EBITDA margin	28.7	28.2	29.3	30.8	30.8
EBIT margin	23.8	23.2	24.4	26.0	26.2
Adjusted profit margin	21.7	19.8	19.9	21.1	21.3
Adjusted ROAE	16.4	14.8	14.4	15.2	15.1
ROCE	15.8	14.3	14.5	15.5	15.4
Working capital days (days)					
Receivables	84	89	82	82	82
Inventory	70	68	60	60	60
Payables	201	214	211	211	211
Ratios (x)					
Gross asset turnover	1.3	1.7	1.7	1.7	1.7
Current ratio	2.6	2.4	2.6	2.9	3.2
Net interest coverage ratio	54.1	40.0	40.2	45.3	48.4
Adjusted debt/equity	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)

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

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

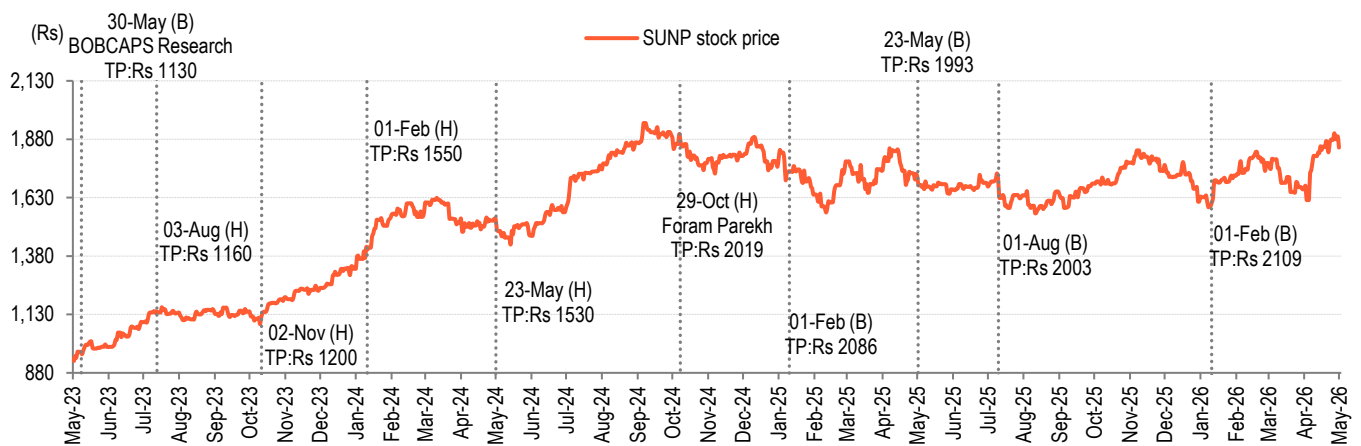
HOLD – Expected return from -6% to +15%

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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