

**BUY****TP: Rs 2,109 | ▲ 32%****SUN PHARMA**

| Pharmaceuticals

| 01 February 2026

**All round beat; growth momentum to continue**

- Domestic sales growth driven by volume growth of 6.3% vs IPM volume growth of 1.2% due to leadership position across 14 categories
- Global innovative sales ex-of milestone income contributed 21% of total sales, with milestone contribution increasing to 24% of total sales
- On a strong innovative portfolio, we continue to ascribe a PE of 34x and roll forward to Dec'27 EPS to arrive at TP of Rs 2,109. Maintain BUY

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**Earnings upbeat** – Sales grew by 13% YoY to Rs 155 bn, driven by year-on-year growth of 16% in the domestic region, 28% in emerging markets (EMs), 21% in the ROW region and 6% in the US region; which was offset by 5% decline in the API sales. During the quarter, there was a milestone income of USD55mn from the ROW market (Rs4.9bn), excluding which the sales rose by 10% YoY. Healthy product mix led to an all-time high Gross Margin of 81% and EBITDA margin of 30.9%. However, excluding for the milestone income, Gross Margin was at 80.4% and EBITDA Margin at 28.6%. During the quarter, there was an exceptional item of Rs 4.8bn recorded, where Rs 3.7bn was allotted to the International Labour Code and the balance to GSMDL settlement. Adjusting against milestone and exceptional costs, PAT reported 6% decline YoY to Rs 32.1bn.

**Global innovative sales on new launches** – During the quarter, SUNP's global innovative sales went up by 14% YoY to USD 423 mn. Sun also witnessed a growth of 22% YoY to USD 55 mn in its milestone income from the RoW region, while ex-of milestone, global innovative sales rose by 13% to USD 368 mn. The growth was driven by new launches like Unloxcyt and Illumya in the US and domestic regions, respectively. Global innovative sales gaining traction from both US and non-US regions, thereby clocking sales of USD 1bn in 9MFY26, ex-of milestone. As both the newly launched drugs are witnessing healthy early feedback, we expect FY26E global innovative sales to report USD ~1.4bn.

**Domestic region continues to grow in double digits** – Domestic sales were 5% above our estimates to Rs 50bn. The growth is driven by volume growth of 6.3% vs IPM volume growth of 1.2% and 12 new launches during the quarter. Volume growth was driven by sustaining leadership position in Rx across 14 Dr's categories. This has led to increase in Sun's market share to 8.4% as on Dec'25 MAT vs the earlier market share of 8.1%. Going forward, SUNP is expected to launch Semaglutide injectables on the 1st day of LoE and expects enhanced access to the product. Given its unwavering leadership in the IPM, we expect Sun to continue surpassing IPM growth and report 12% CAGR from FY26-28E to Rs 243.5bn in FY28E.

**Key changes**

	Target	Rating
	▲	◀ ▶

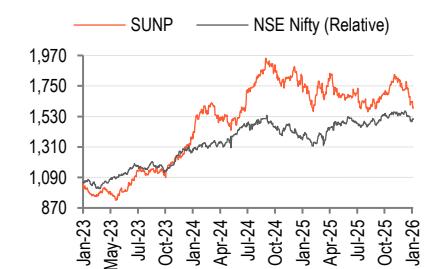
Ticker/Price	SUNP IN/Rs 1,595
Market cap	US\$ 41.6bn
Free float	45%
3M ADV	US\$ 40.9mn
52wk high/low	Rs 1,851/Rs 1,548
Promoter/FPI/DII	54%/16%/20%

Source: NSE | Price as of 30 Jan 2026

**Key financials**

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	525,785	580,124	639,439
EBITDA (Rs mn)	153,869	168,339	193,436
Adj. net profit (Rs mn)	118,260	118,199	137,519
Adj. EPS (Rs)	49.3	49.3	57.3
Consensus EPS (Rs)	49.3	48.3	55.3
Adj. ROAE (%)	16.9	15.2	15.6
Adj. P/E (x)	32.4	32.4	27.8
EV/EBITDA (x)	26.5	24.6	22.0
Adj. EPS growth (%)	16.2	(0.1)	16.3

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**

Source: NSE



**EM sales continues to ramp up** - EM reported 7% growth above our estimates to Rs 30 bn. In INR terms, the region grew by 28%, however, in cc terms the region grew by 13%. The growth was driven by generics as well as innovative products, currency tailwinds and pickup in regions like Romania, South Africa and Brazil. We anticipate EMs to grow at a CAGR of 9% in FY26-28E to Rs 121bn in FY28E.

**EBITDA Margin increased due to milestone income** – During the quarter, EBITDA Margin reported at 30.9% due to 24% contribution from the global innovative products. Ex of milestone income of USD 55mn, EBITDA Margin reported at 28.6% that came from 21% contribution from the global innovative products. Overall, margins continue to be led by healthy traction in both branded domestic business and global innovative products. We expect global innovative sales contribution to reach ~25% by FY28E, thus expect EBITDA Margin to increase to 31% by FY28E.

**Valuations** - We have raised our EPS estimates by 2.4%, 3.3% and 4.1% for FY26E, FY27E and FY28E as earnings were above estimates. We model in sales/EBITDA /PAT CAGR of 10%/13%/15% respectively from FY26-28E, factoring in ~12% domestic sales CAGR from FY26-28E. We also believe global innovative portfolio sales to continue the upward momentum as sales of newly launched products like Unloxcyt and Leqselvi picks up in the US and Ilumya in India, Thus, we believe, the innovative portfolio contribution of ~25% by FY28E, to enable EBITDA Margin increasing to 31% by FY28E. Hence, we maintain our ascribed PE of 34x and roll forward to Dec'27 EPS to arrive at TP of of Rs 2,109. Maintain BUY.

## Financial Highlights

**Fig 1 – Quarterly snapshot**

(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	BoB est.	Var. (%)
Net Sales	155,205	136,755	13.5	144,783	7.2	143,298	8.3
Total Expenses	107,260	94,831	13.1	103,817	3.3		
(%) of net sales	69	69		72			
Raw material consumed	29,451	27,405	7.5	29,827	(1.3)		
(%) of net sales	19.0	20		21			
Staff cost	28,920	25,523	13.3	27,648	4.6		
(%) of net sales	18.6	18.7		19.1			
R&D cost	8,928	8,450	5.7	7,827	14.1		
(%) of net sales	5.8	6.2		5.4			
SG&A	39,961	33,453	19.5	38,516	3.8		
(%) of net sales	25.7	24.5		26.6			
EBITDA	47,946	41,924	14.4	40,966	17.0	39,264	22.1
PBT	45,627	39,759	14.8	37,371	22.1		
Less: Taxation	8,261	5,589		10,305			
PAT	37,367	34,171	9.4	26,875	39.0	25,159	48.5
Less: Minority Interest	323	141		191			
Exceptional items	(3,355)	(4,995)		4,305			
PAT attributable to shareholders	33,689	29,034	16.0	31,180	8.0	25,159	33.9
<b>Key Ratios (%)</b>							
Gross Margin	81.0	80.0	106	79.4	163		
EBITDA Margin	30.9	30.7	24	28.3	260	27.4	
Tax / PBT	18.1	14.1	405	27.6	(947)		
NPM	24.1	25.0	(91)	18.6	551	17.6	
EPS (Rs)	14.0	12.1	16.0	13.0	8.0	12.0	16.6

Source: Company, BOBCAPS Research

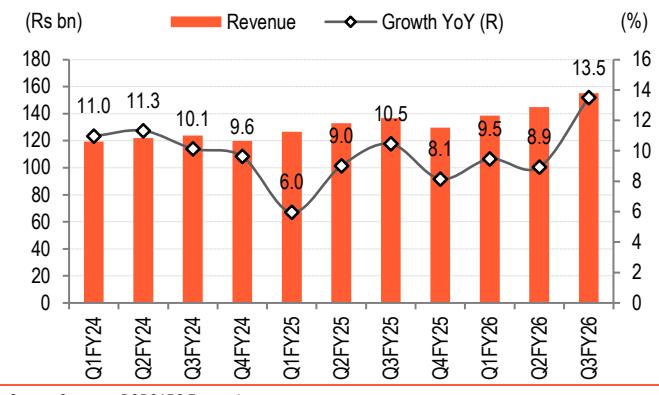
**Fig 2 – Revenue Segment**

(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	BoB est.	Var. (%)
Formulation	148,880	128,258	16.1	139,418	6.8	135,631	9.8
Domestic	49,986	43,004	16.2	47,348	5.6	47,770	4.6
Exports	98,895	85,254	16.0	92,070	7.4	87,861	12.6
US	42,505	40,030	6.2	43,288	(1.8)	42,594	(0.2)
EM & ROW	56,390	45,224	24.7	48,782	15.6	45,267	24.6
EM	29,996	23,384	28.3	22,561	33.0	27,952	7.3
ROW	26,394	21,840	20.8	17,340	52.2	17,797	48.3
APIs and others	5,810	6,112	(4.9)	4,635	25.4	6,009	(3.3)
Net Sales	154,691	134,369	15.1	144,052	7.4	141,640	9.2
OOI	515	2,385	NA	731	NA	1,657	(68.9)
Revenue	155,205	136,755	13.5	144,783	7.2	143,298	8.3

Source: Company, BOBCAPS Research

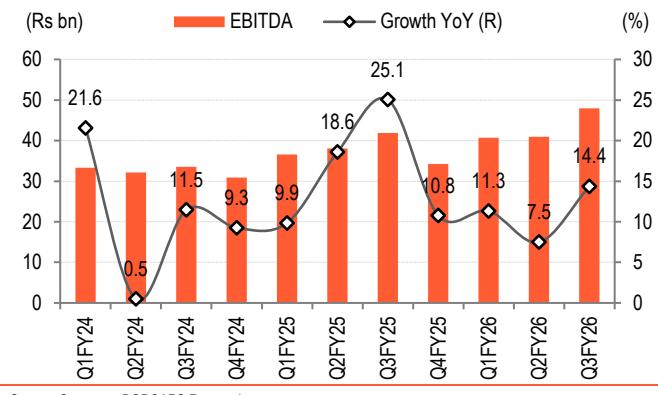
## Financials in Charts

**Fig 3 – Revenue growth on global innovative and branded domestic sales**



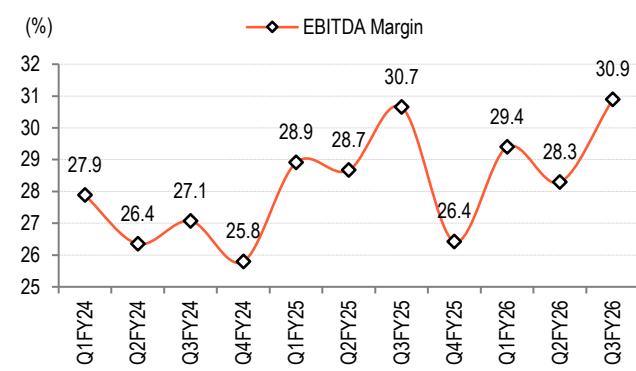
Source: Company, BOBCAPS Research

**Fig 4 – EBITDA growth on healthy product mix**



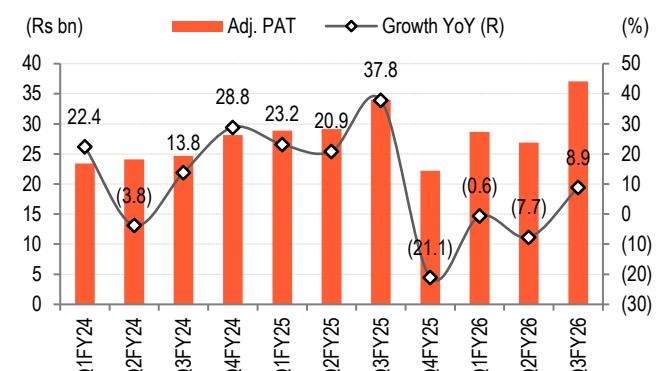
Source: Company, BOBCAPS Research

**Fig 5 – EBITDA Margin increase aided by milestone income**



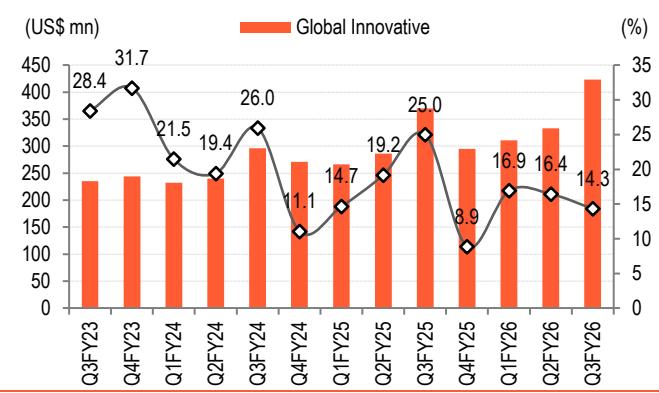
Source: Company, BOBCAPS Research

**Fig 6 – APAT growth driven by healthy operations**



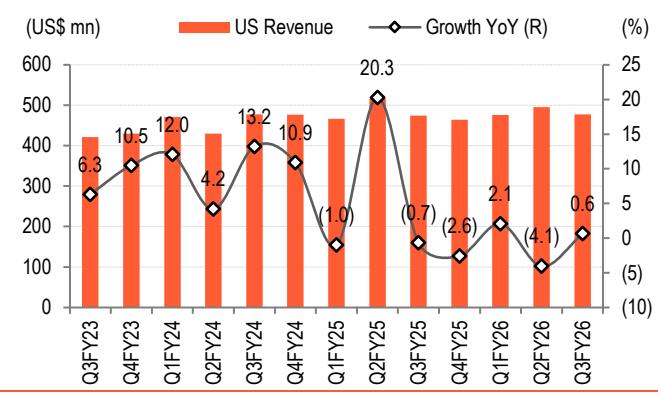
Source: Company, BOBCAPS Research

**Fig 7 – Global innovative sales led by milestone income**



Source: Company, BOBCAPS Research

**Fig 8 – PAT growth sequentially on new launches**



Source: Company, BOBCAPS Research

## Earnings call highlights

### Guidance

- Management has guided the effective tax rate (ETR) to remain around 25% for FY26.

### US Business

- **Performance:** US formulation sales were **USD 477 mn**, reflecting muted growth as innovative medicines growth offset pressure in generics, due to product-specific competition. The US contributed **27.5% of consolidated sales**.
- **Outlook:** Management expects innovative medicines to continue scaling, while the generics business should recover as compliance issues across sites are resolved and new approvals come through.
- **Launches:** Three new products were launched during the quarter.
- **gRevlimid:** Contribution remained negligible in Q3FY26.

### Domestic Business

- **Performance:** India Formulation sales reached **Rs50.0 bn**, growing **16.2% YoY**, contributing **32.3% of total sales**. Sun Pharma retained its **#1 rank**, with market share increasing from **8.1% to 8.4%** (Pharmarack MAT Dec'25). As per SMSRC (Jul–Oct 2025), the company ranked #1 in prescriptions across **14 doctor specialties**. Growth outpaced the overall IPM and was broad-based across therapies.
- **Launches:** 12 new products were launched during the quarter, including Ilumya in India.
- **Volume & NPI:** Volume growth stood at **6.3%**, significantly ahead of IPM's **1.2%**, with growth driven primarily by volumes and new launches.
- **GLP-1:** The company plans to launch **Semaglutide** immediately upon patent expiry in India and expects to be among the day-1 entrants. Regulatory approvals have already been received for both Obesity and type-2 Diabetes under **Noveltrat** and **Sematrinity** respectively. Management indicated adequate supply readiness and plans to expand field force support.

### Emerging Markets

- Accounted for 19.4% of revenue, delivering 13% CC growth, driven by broad-based performance in generics and innovative medicines, supported by currency tailwinds. Romania, South Africa, and Brazil performed well in local currencies.

## Valuation Methodology

We have raised our EPS estimates by 2.4%, 3.3% and 4.1% for FY26E, FY27E and FY28E as earnings were above estimates. We model in sales/EBITDA /PAT CAGR of 10%/13%/15% respectively from FY26-28E, factoring in ~12% domestic sales CAGR from FY26-28E. We also believe global innovative portfolio sales to continue the upward momentum as sales of newly launched products like Unloxcyt and Leqselvi picks up in the US and Ilumya in India, Thus, we believe, the innovative portfolio contribution of ~25% by FY28E, to enable EBITDA Margin increasing to 31% by FY28E. Hence, we maintain our ascribed PE of 34x and roll forward to Dec'27 EPS to arrive at TP of of Rs 2,109. Maintain BUY.

**Fig 9 – Change in Estimates**

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales	580,124	639,439	705,051	568,655	621,929	680,513	2.0	2.8	3.6
EBITDA	168,339	193,436	216,810	164,843	188,139	209,264	2.1	2.8	3.6
EBITDA margin (%)	29.0	30.3	30.8	29.0	30.3	30.8	2.95	0.01	0.00
PAT	118,199	137,519	155,590	115,328	133,166	149,399	2.5	3.3	4.1
EPS (Rs)	49.3	57.3	64.9	48.1	55.5	62.3	2.4	3.3	4.1

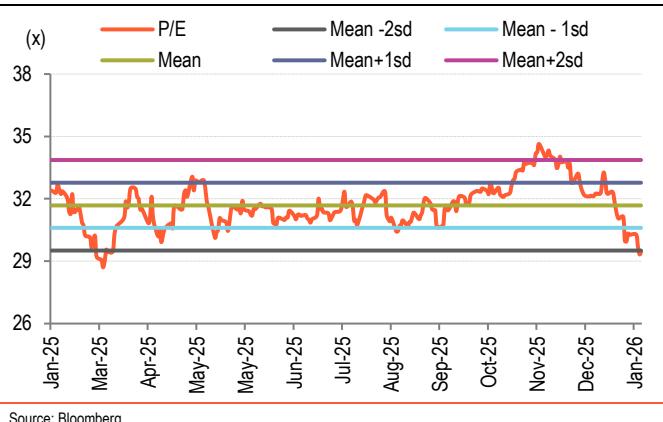
Source: Company, BOBCAPS Research

## Key Risks

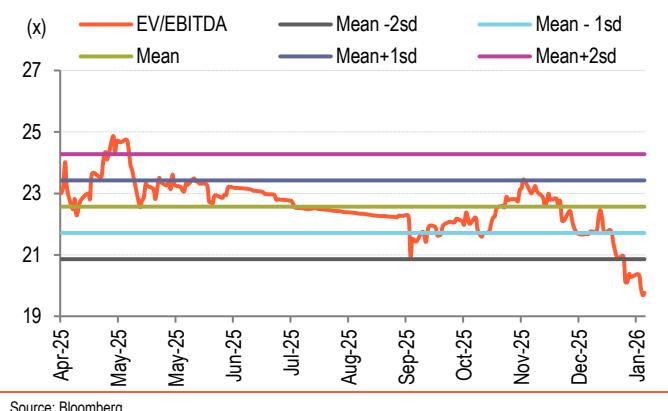
Key downside risks to our estimates:

- Slow pick up in sales of newly launched products Unloxcyt and Leqselvi
- Continued regulatory hindrances to the plants under USFDA scrutiny
- Deterioration in the US generic pricing environment

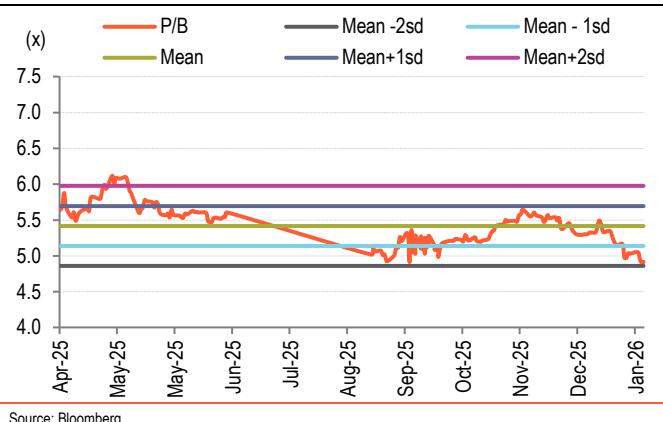
## Valuation Bands

**Fig 10 – PE Band**


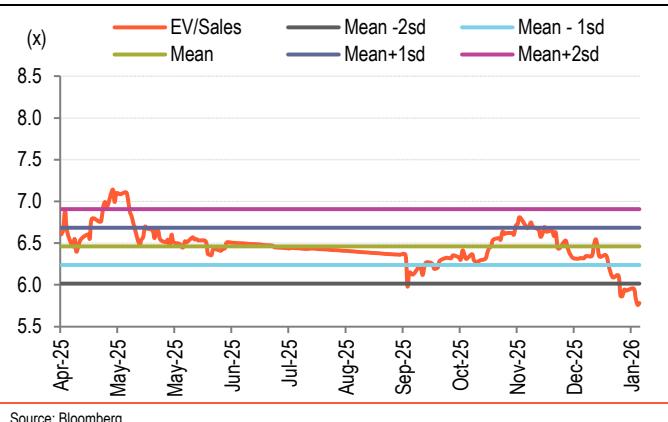
Source: Bloomberg

**Fig 11 – EV/EBITDA Band**


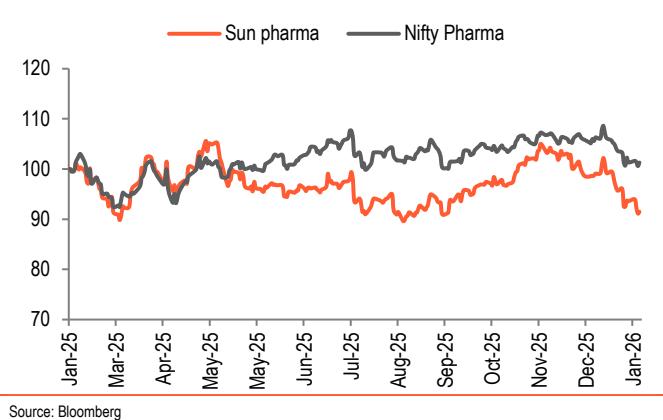
Source: Bloomberg

**Fig 12 – P/B Band**


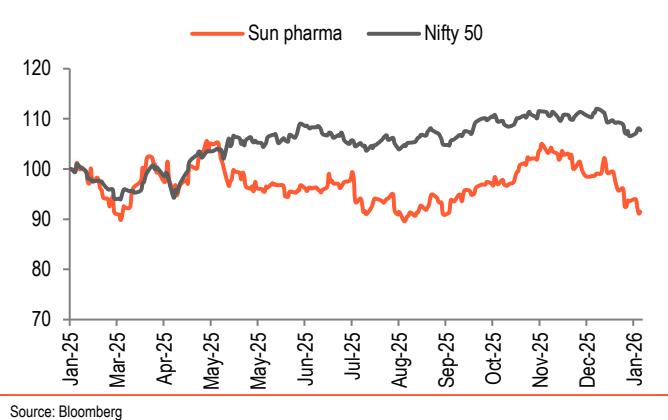
Source: Bloomberg

**Fig 13 – EV/Sales Band**


Source: Bloomberg

**Fig 14 – Sun Pharma vs Nifty Pharma**


Source: Bloomberg

**Fig 15 – Sun Pharma vs Nifty 50**


Source: Bloomberg

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Total revenue</b>	<b>484,969</b>	<b>525,785</b>	<b>580,124</b>	<b>639,439</b>	<b>705,051</b>
EBITDA	129,884	153,869	168,339	193,436	216,810
Depreciation	25,566	25,736	26,977	28,279	29,647
EBIT	104,317	128,133	141,362	165,157	187,163
Net interest inc./exp.)	(2,385)	(2,314)	(1,303)	(1,040)	(843)
Other inc./exp.)	13,542	19,650	17,215	18,975	20,922
Exceptional items	0	0	0	0	0
EBT	115,474	145,470	157,275	183,092	207,242
Income taxes	14,395	27,720	39,586	46,084	52,163
Extraordinary items	(5,305)	(8,634)	0	0	0
Min. int./Inc. from assoc.	(721)	(511)	(511)	(511)	(511)
<b>Reported net profit</b>	<b>96,496</b>	<b>109,626</b>	<b>118,199</b>	<b>137,519</b>	<b>155,590</b>
Adjustments	5,305	8,634	0	0	0
<b>Adjusted net profit</b>	<b>101,801</b>	<b>118,260</b>	<b>118,199</b>	<b>137,519</b>	<b>155,590</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	56,533	61,843	66,436	73,930	81,515
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	824,251	936,634	1,063,832
Shareholders' fund	671,945	724,860	826,650	939,033	1,066,232
<b>Total liab. and equities</b>	<b>855,508</b>	<b>920,899</b>	<b>1,028,620</b>	<b>1,151,722</b>	<b>1,291,369</b>
Cash and cash eq.	98,919	116,208	183,663	264,832	347,435
Accounts receivables	112,494	130,461	131,919	143,655	158,395
Inventories	98,683	102,433	103,310	105,113	115,899
Other current assets	102,335	95,956	95,956	95,956	95,956
Investments	150,258	183,538	207,080	232,975	261,462
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
<b>Total assets</b>	<b>855,508</b>	<b>920,899</b>	<b>1,028,620</b>	<b>1,151,721</b>	<b>1,291,369</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Cash flow from operations</b>	<b>132,005</b>	<b>146,594</b>	<b>149,704</b>	<b>161,856</b>	<b>169,310</b>
Capital expenditures	(24,688)	(37,591)	(28,994)	(30,776)	(32,680)
Change in investments	(1,957)	(33,280)	(18,354)	(20,189)	(22,208)
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(26,645)</b>	<b>(70,872)</b>	<b>(47,348)</b>	<b>(50,965)</b>	<b>(54,888)</b>
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)	(21,297)	(24,778)	(28,035)
Other financing cash flows	(7,810)	(39,624)	5,081	(145)	(124)
<b>Cash flow from financing</b>	<b>(63,703)</b>	<b>(70,805)</b>	<b>(22,529)</b>	<b>(29,721)</b>	<b>(31,819)</b>
Chg in cash & cash eq.	41,657	4,916	79,828	81,169	82,602
<b>Closing cash &amp; cash eq.</b>	<b>98,919</b>	<b>103,835</b>	<b>183,663</b>	<b>264,832</b>	<b>347,435</b>

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	40.2	45.7	49.3	57.3	64.9
Adjusted EPS	42.4	49.3	49.3	57.3	64.9
Dividend per share	7.2	8.2	8.9	10.3	11.7
Book value per share	265.8	301.0	343.6	390.6	0.0

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	8.3	7.7	7.2	6.6	6.2
EV/EBITDA	30.8	26.5	24.6	22.0	20.1
Adjusted P/E	37.6	32.4	32.4	27.8	24.6
P/BV	6.0	5.3	4.6	4.1	

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	88.2	81.3	75.2	75.1	75.1
Interest burden (PBT/EBIT)	110.7	113.5	111.3	110.9	110.7
EBIT margin (EBIT/Revenue)	21.5	24.4	24.4	25.8	26.5
Asset turnover (Rev./Avg TA)	14.6	14.8	14.9	14.7	14.4
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.3	1.2	1.2
Adjusted ROAE	16.1	16.9	15.2	15.6	15.5

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Revenue	10.5	8.4	10.3	10.2	10.3
EBITDA	6.7	18.5	9.4	14.9	12.1
Adjusted EPS	18.8	16.2	(0.1)	16.3	13.1
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	26.8	29.3	29.0	30.3	30.8
EBIT margin	21.5	24.4	24.4	25.8	26.5
Adjusted profit margin	21.0	22.5	20.4	21.5	22.1
Adjusted ROAE	16.1	16.9	15.2	15.6	15.5
ROCE	15.1	16.4	14.8	16.2	16.3
<b>Working capital days (days)</b>					
Receivables	85	84	83	82	82
Inventory	77	70	65	60	60
Payables	205	207	209	211	211
<b>Ratios (x)</b>					
Gross asset turnover	1.3	1.3	1.4	1.5	1.5
Current ratio	2.7	2.6	2.8	3.1	3.4
Net interest coverage ratio	43.7	55.4	108.5	158.8	222.1
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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Registered office Address: 1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051

SEBI Research Analyst Registration No: INH000000040 valid till 03 February 2025

Brand Name: **BOBCAPS**

Trade Name: [www.barodaetrade.com](http://www.barodaetrade.com)

CIN: U65999MH1996GOI098009

Logo:  TRUST | INNOVATION | EXCELLENCE

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

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

**BUY** – Expected return >+15%

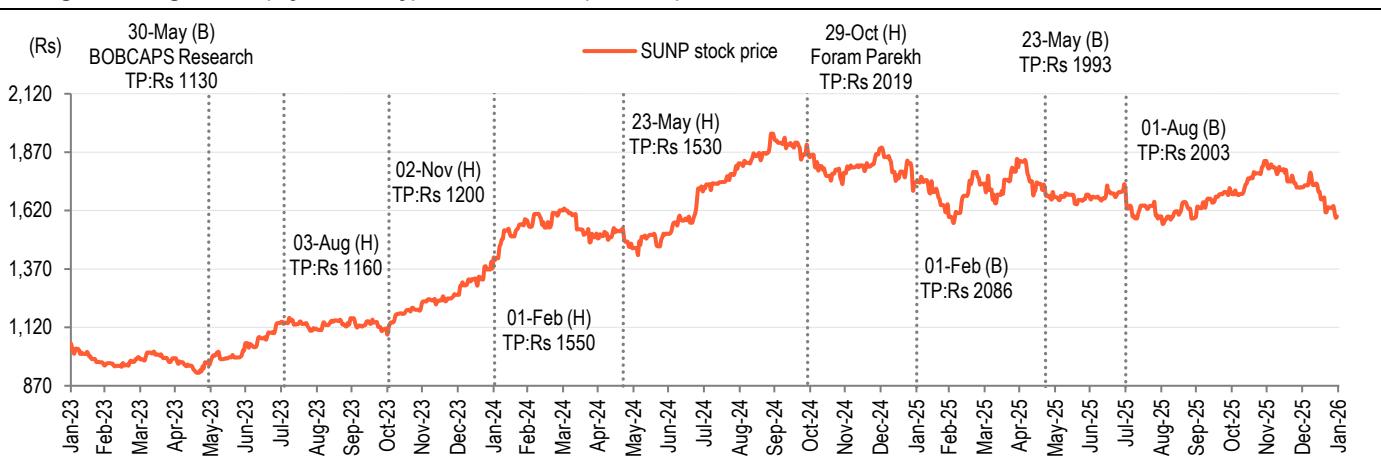
**HOLD** – Expected return from -6% to +15%

**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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