

Sun Pharmaceutical Industries | BUY

In-line 3Q, Ex-US segments drove the performance

Sun Pharma reported a strong 3QFY26, with revenue/EBITDA/PAT growing +13%/+14%/+17% YoY and EBITDA margins coming in at 30.9% (+24bps YoY). However, excl. USD 55mn milestone payment, Rev/EBITDA was up 10%/3% YoY, in-line with expectations. Among segments, global specialty (+13% YoY, ex milestone payment), India formulations (+16% YoY), EM (+28% YoY) and RoW(+21%YoY) drove the 3Q performance. However, US business was up 6%YoY on account of decline in generics led by loss of gRevlimed sales, partially offset by growth in specialty. Overall, the company is on track to outperform its single digit growth guidance for FY26. We believe strong momentum in India and ROW/EM is encouraging and it can continue for next two years led by specialty and GLP 1 launches. While US generic business might remain subdued but two new specialty launches, continued momentum in Ilumya will drive US specialty business at high teens. Expect Revenue/EBITDA/PAT CAGR of 11/12/13% over FY25–28. The only overhang on the stock remains is uncertainty on account of MFN rules in the US. At the CMP, the stock is trading at 28x/24x FY27/FY28 EPS, at par with 5 year average. We value the stock at 30x Mar'28 EPS to arrive at the TP of INR1,999 due to increasing specialty contribution. Maintain BUY.

- India Business Leading Growth:** Growth during the period was driven primarily by higher volumes and new product introductions, with the company launching 12 new products during the quarter and 26 products year to date. This momentum supported a market share expansion from 8.1% to 8.4%, reinforcing Sun's leadership position as the number one player with an 8.4% share. Looking ahead, management confirmed that its GLP-1 product will be launched on day one of patent expiry, having received approvals for both weight management and type 2 diabetes. To support this launch, the company plans to augment its field force.
- Global innovative segment gaining momentum:** Global innovative medicines sales reached USD 423 mn, up 14.3% YoY. This was including a USD 55 mn milestone payment that is considered a one-time event and unlikely to recur. In the US, the company launched Leqselvi for alopecia with early physician feedback indicating encouraging hair regrowth. It has also launched Unloxcyt for the treatment of advanced cutaneous squamous cell carcinoma. Unloxcyt's initial stocking has been completed and first orders received. Management expects meaningful ramp-up in Unloxcyt prescriptions from large health systems and has engaged with the top 50 cancer centers, with a focus on newly diagnosed patients initiating immunotherapy. It also introduced Ilumya in India, and did sBLA filing in US for its psoriatic arthritis indication. Strategically, growth in this segment remains critical, aligning closely with Sun Pharma's focus on high-growth, specialty areas such as derma and oncology.
- US remains soft:** The segment reported marginal growth of 0.6% to USD 477 mn, with gains from innovative medicines largely offset by lower sales in the generics business due to increased competition in certain products. The generics portfolio remains soft, with recovery expected once manufacturing compliance is received at key sites, enabling the launch of new products. Notably, the contribution from lenalidomide was relatively small in Q3.
- R&D spends to mostly elevate next year:** R&D spending on innovative programs accounted for 30.5% of total R&D expenditure and 7.2% of global innovative medicines revenues. While overall R&D spend has been trending down sequentially, management expects this to rise as clinical trial activity intensifies, particularly with GL0034. During the period, the company filed an sBLA with the FDA for Ilumya in the psoriatic arthritis indication and initiated Phase 2 trials for GL0034 in type 2 diabetes, with the Phase 2B study expected to be completed over the next 12–18 months. Looking ahead, management guided for elevated spending next year, largely embedded within core operating expenses, primarily to support upcoming innovative launches.

Financial Summary					
Y/E March	FY24A	FY25A	FY26E	FY27E	(INR mn)
Net Sales	477,584	520,413	580,730	648,271	721,044
Sales Growth (%)	10.4	9.0	11.6	11.6	11.2
EBITDA	129,870	150,862	169,148	184,908	213,212
EBITDA Margin (%)	26.8	28.7	29.0	28.3	29.4
Adjusted Net Profit	90,743	109,794	122,665	137,534	159,889
Diluted EPS (INR)	37.8	45.8	51.1	57.3	66.6
Diluted EPS Growth (%)	48.3	21.0	11.7	12.1	16.3
ROIC (%)	20.1	22.3	22.8	24.1	28.3
ROE (%)	15.2	16.2	15.8	15.4	15.4
P/E (x)	42.2	34.9	31.2	27.8	23.9
P/B (x)	6.0	5.3	4.6	4.0	3.4
EV/EBITDA (x)	29.1	24.8	21.7	19.1	15.9
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 30/Jan/2026



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,999
Upside/(Downside)	25.3%
Previous Price Target	2,019
Change	-1.0%

Key Data – SUNP IN

Current Market Price	INR1,595
Market cap (bn)	INR3,827.6/US\$41.6
Free Float	41%
Shares in issue (mn)	2,399.3
Diluted share (mn)	2,399.3
3-mon avg daily val (mn)	INR3,944.4/US\$42.9
52-week range	1,851/1,547
Sensex/Nifty	82,270/25,321
INR/US\$	92.0

Price Performance

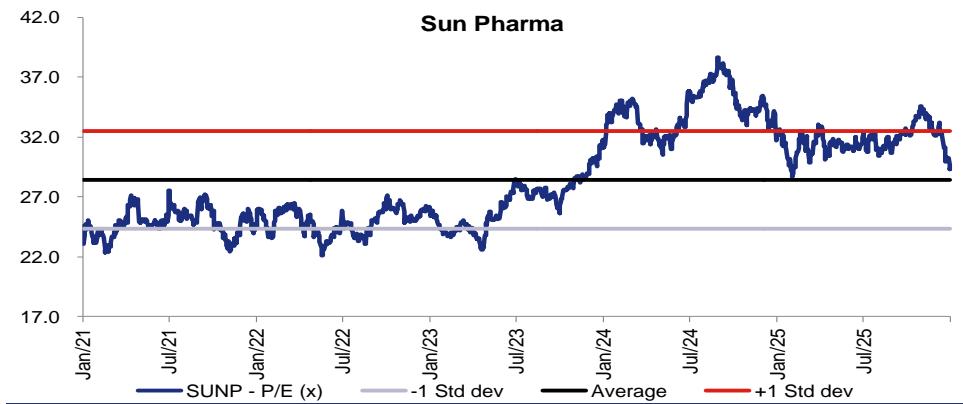
%	1M	6M	12M
Absolute	-7.2	-6.5	-8.5
Relative*	-3.9	-8.4	-13.8

* To the BSE Sensex

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. The stock is trading closer to its LTA P/E



Source: Bloomberg

Exhibit 2. 3QFY26 Review

Sun Pharma P&L (INR mn)	Q3 FY25A	Q3 FY26A	% YoY	Q3 FY26	% vs JMFe	Q2 FY26E (cons)	% vs cons	Q2 FY26	% QoQ
Total sales	1,34,369	1,54,691	15%	1,47,005	5%			1,44,052	7%
Other op. income	2,385	515	-78%	1,000	-49%			731	-30%
Total revenue from operations	1,36,755	1,55,205	13%	1,48,005	5%	1,47,921	5%	1,44,783	7%
Revenue (Ex of US Milestone Payment)	1,36,755	1,50,304	10%	1,48,005	2%	1,47,921	2%	1,44,783	4%
Expenses									
Raw material	27,405	29,451	7%	32,000	-8%			29,827	-1%
Gross Profit	1,09,349	1,25,754	15%	1,16,005	8%			1,14,956	
% Gross Margin	80%	81.0%	106 bp	78.4%	265 bp			79%	163 bp
Staff cost	25,523	28,920	13%	27,500	5%			27,648	5%
Other expenses	41,903	48,889	17%	47,700	2%			46,342	5%
includes: R&D expense	8,248	8,928	8%	9,200	-3%			7,827	14%
EBITDA	41,924	47,946	14%	40,805	18%	41,633	15%	40,966	17%
% EBITDA Margin	30.7%	30.9%	24 bp	27.6%	332 bp	28.1%	275 bp	28.3%	260 bp
EBITDA (excl. milestone payment)	41,924	43,045	3%	40,805	5%	41,633	3%	40,235	7%
% EBITDA Margin (% of sales)	31.2%	27.8%	(337)bp	27.6%	26 bp	28.1%	(32)bp	27.9%	-10.45
Other income	2,823	7,328	160%	4,500	63%			9,004	-19%
Finance Costs	515	784	52%	500	57%			999	-22%
Depreciation	6,306	7,323	16%	6,800	8%			7,295	0%
Profit Before Tax (PBT)	37,926	47,166	24%	38,005	24%			41,676	13%
Tax	5,589	8,261		8,500				10,305	
% Tax rate	15%	18%		22%				25%	
Minority Interest & JVs	142	323		100				191	
Exceptional income (expense)	3,162	4,895		0				-	
Reported Net Profit	29,175	34,011		29,505				31,371	8%
% Net Profit Margin	21.3%	21.9%		19.9%				21.7%	
Reported EPS (INR)	12.2	14.2	17%	12.3				13.1	8%
Net Profit - Adjusted	32,196	38,583	20%	29,405	31%	30,347	27%	31,180	24%
EPS (INR) - Adjusted	13.4	16.1	20%	12.3	31%			13.0	24%
% Cost Ratios	Q3 FY25A	Q3 FY26A	% YoY	Q2 FY26	% vs JMFe			Q2 FY26	% QoQ
Raw Materials	20.0	19.0	(106)bp	21.2	(226)bp			20.6	(163)bp
Staff Cost	18.7	18.6	(3)bp	20.0	(141)bp			19.1	(46)bp
Other expenses	30.6	31.5	86 bp	29.7	183 bp			32.0	(51)bp
Sales Break-up	Q3 FY25	Q3 FY26	% YoY			% YoY		Q2 FY26	% QoQ
Domestic Formulations	43,004	49,986	16%					47,348	6%
US	40,030	42,505	6%					43,288	-2%
Emerging Markets	23,384	29,996	28%					28,367	6%
RoW Formulations	21,840	26,394	21%					20,415	29%
APIs	5,678	5,412	-5%					4,299	26%
Others	434	399	-8%					336	19%

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement					Balance Sheet						
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	477,584	520,413	580,730	648,271	721,044	Shareholders' Fund	636,668	722,180	828,995	958,943	1,110,873
Sales Growth	10.4%	9.0%	11.6%	11.6%	11.2%	Share Capital	2,399	2,399	2,399	2,399	2,399
Other Operating Income	7,384	5,372	3,500	4,000	4,500	Reserves & Surplus	634,268	719,781	826,595	956,543	1,108,474
Total Revenue	484,968	525,784	584,230	652,271	725,544	Preference Share Capital	0	0	0	0	0
Cost of Goods Sold/Op. Exp	106,626	107,474	117,888	142,620	158,630	Minority Interest	34,392	2,679	2,379	2,079	1,779
Personnel Cost	94,291	99,731	113,341	123,931	134,226	Total Loans	28,457	18,803	9,409	4,711	2,360
Other Expenses	154,182	167,718	183,853	200,812	219,477	Def. Tax Liab. / Assets (-)	-39,486	-42,064	-42,064	-42,064	-42,064
EBITDA	129,870	150,862	169,148	184,908	213,212	Total - Equity & Liab.	660,031	701,599	798,720	923,669	1,072,949
<i>EBITDA Margin</i>	26.8%	28.7%	29.0%	28.3%	29.4%	Net Fixed Assets	285,653	292,302	274,594	259,646	243,818
<i>EBITDA Growth</i>	10.3%	16.2%	12.1%	9.3%	15.3%	Gross Fixed Assets	232,231	245,905	248,088	256,088	264,088
Depn. & Amort.	25,566	25,754	29,052	29,948	30,828	Intangible Assets	253,331	270,159	277,159	284,159	291,159
EBIT	104,303	125,108	140,096	154,960	182,384	Less: Depn. & Amort.	210,987	236,105	265,157	295,104	325,932
Other Income	13,903	21,506	28,000	30,000	31,000	Capital WIP	11,077	12,343	14,503	14,503	14,503
Finance Cost	2,385	2,314	3,000	2,500	2,000	Investments	145,832	183,538	183,538	183,538	183,538
PBT before Excep. & Forex	115,822	144,300	165,096	182,460	211,384	Current Assets	382,108	401,090	510,087	678,485	865,820
Excep. & Forex Inc/Loss(-)	-4,943	-6,779	-13,075	0	0	Inventories	98,683	102,433	102,461	123,956	137,871
PBT	110,878	137,521	152,021	182,460	211,384	Sundry Debtors	112,494	130,461	161,664	180,491	200,767
Taxes	14,395	27,720	36,485	43,790	50,732	Cash & Bank Balances	105,207	113,316	169,854	292,857	440,535
Extraordinary Inc./Loss(-)	0	0	0	0	0	Loans & Advances	1,838	2,282	8,763	9,784	10,883
Assoc. Profit/Min. Int.(-)	721	511	300	300	300	Other Current Assets	63,887	52,597	67,345	71,397	75,764
Reported Net Profit	95,763	109,290	115,236	138,370	160,352	Current Liab. & Prov.	153,562	175,331	169,499	198,000	220,227
Adjusted Net Profit	90,743	109,794	122,665	137,534	159,889	Current Liabilities	56,533	61,843	51,013	61,715	68,643
Net Margin	18.7%	20.9%	21.0%	21.1%	22.0%	Provisions & Others	97,029	113,488	118,486	136,285	151,585
Diluted Share Cap. (mn)	2,399.3	2,399.3	2,399.3	2,399.3	2,399.3	Net Current Assets	228,547	225,759	340,588	480,485	645,593
Diluted EPS (INR)	37.8	45.8	51.1	57.3	66.6	Total - Assets	660,031	701,599	798,720	923,669	1,072,949
Diluted EPS Growth	48.3%	21.0%	11.7%	12.1%	16.3%						
Total Dividend + Tax	0	0	0	0	0						
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0						

Source: Company, JM Financial

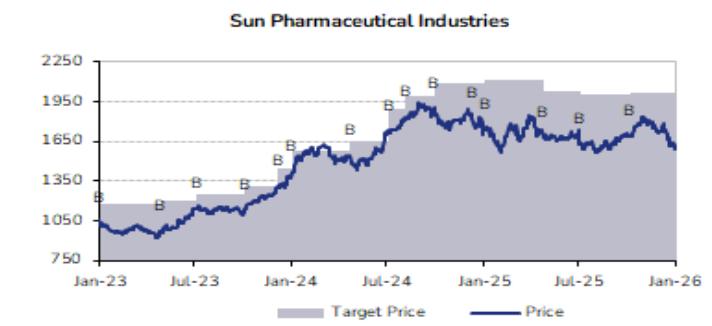
Cash Flow Statement					Dupont Analysis						
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	110,878	137,521	152,021	182,460	211,384	Net Margin	18.7%	20.9%	21.0%	21.1%	22.0%
Depn. & Amort.	25,566	25,754	29,052	29,948	30,828	Asset Turnover (x)	0.7	0.7	0.7	0.7	0.7
Net Interest Exp. / Inc. (-)	-7,844	-9,988	-6,501	-7,001	-7,501	Leverage Factor (x)	1.1	1.1	1.0	1.0	1.0
Inc (-) / Dec in WCap.	10,621	-3,236	-58,292	-16,895	-17,429	RoE	15.2%	16.2%	15.8%	15.4%	15.4%
Others	-2,178	-4,563	0	0	0						
Taxes Paid	-15,694	-4,768	-36,485	-43,790	-50,732						
Operating Cash Flow	121,350	140,721	79,795	144,722	166,549						
Capex	-22,018	-21,286	-11,343	-15,000	-15,000						
Free Cash Flow	99,332	119,435	68,452	129,722	151,549						
Inc (-) / Dec in Investments	10,034	-28,912	0	0	0						
Others	5,082	-2,864	9,501	9,501	9,501						
Investing Cash Flow	-6,902	-53,062	-1,842	-5,499	-5,499						
Inc / Dec (-) in Capital	0	0	0	0	0						
Dividend + Tax thereon	-28,982	-36,140	-8,422	-8,422	-8,422						
Inc / Dec (-) in Loans	-33,899	-10,303	-9,394	-4,699	-2,350						
Others	-4,221	-32,615	-3,000	-2,500	-2,000						
Financing Cash Flow	-67,102	-79,058	-20,816	-15,620	-12,772						
Inc / Dec (-) in Cash	47,346	8,601	57,138	123,603	148,278						
Opening Cash Balance	46,238	92,857	102,688	159,226	282,229						
Closing Cash Balance	105,207	113,317	169,854	292,857	440,536						

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
31-May-22	Buy	1,090	
30-Jul-22	Buy	1,130	3.7
1-Nov-22	Buy	1,180	4.4
31-Jan-23	Buy	1,180	0.0
27-May-23	Buy	1,200	1.7
3-Aug-23	Buy	1,255	4.6
2-Nov-23	Buy	1,305	4.0
4-Jan-24	Buy	1,440	10.3
31-Jan-24	Buy	1,580	9.7
22-May-24	Buy	1,655	4.7
2-Aug-24	Buy	1,895	14.5
4-Sep-24	Buy	1,995	5.3
28-Oct-24	Buy	2,094	5.0
9-Jan-25	Buy	2,094	0.0
3-Feb-25	Buy	2,115	1.0
23-May-25	Buy	2,025	-4.3
1-Aug-25	Buy	1,999	-1.3
5-Nov-25	Buy	2,019	1.0

Recommendation History



APPENDIX I

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Rating	Meaning
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