



## Sun Pharmaceutical Industries Ltd

TP: 1920 | Upside: 20% | BUY

### Healthcare

16<sup>th</sup> Feb, 2026

Market Cap - ₹ 4,07,683 Cr.	Current Price - ₹ 1,699	High / Low - ₹ 1,851 / 1,547	Dividend Yield - 0.93 %
EPS - ₹ 48.5	Promoter holding - 54.5 %	ROE - 16.9 %	ROCE - 20.2 %

### Key Sensitivities & External Factors

#### US Regulatory & Compliance Risks

- The US FDA has classified Sun Pharma's Baska facility as "Official Action Indicated" (OAI) after inspection — a serious regulatory finding that could delay future product approvals until compliance gaps are resolved. However, supplies from the plant continue for now. There are ongoing manufacturing-related recalls in the US, including a recent recall of over 26,000 bottles of a generic skin-treatment drug due to quality issues flagged by the FDA.

#### Trade & Market Policy Trends

- Under the India-US trade agreement framework, Indian pharma including Sun Pharma remains insulated from punitive tariffs in the U.S., which helps preserve competitiveness in the world's largest pharmaceutical market.
- While direct tariffs are not a current cost headwind, policy clarity and ongoing negotiations remain important for medium-term export strategy.

#### Business & Strategic Shifts

- Sun Pharma is expanding its US specialty portfolio with new launches, such as Unloxcyt (cosibelimab-ipdl) in the United States, reflecting a shift toward higher-value therapies beyond commoditized generics.
- Sensitivity: Portfolio diversification into specialty/innovative drugs is a key strategic driver, reducing reliance on generics amid pricing pressures.

#### Financial & Market Sentiment

- Recent quarters have shown strong earnings growth, margin expansion, and interim dividends, which support positive investor sentiment.
- Stock movement has been mixed, with moderate gains in recent months but slight declines following regulatory news, reflecting cautious market sentiment.

#### Industry & Macro Trends Impacting Outlook

- Broader pricing pressure, regulatory complexity, and global healthcare trends remain influential, as noted in industry outlooks emphasizing innovation, regulatory shifts, and resilience for 2026.
- General macro-industry forces are reinforcing strategic pivots in R&D, speciality focus, and supply chain management.

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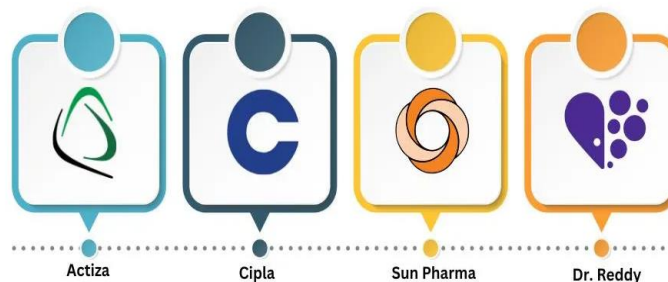
## Industry Overview

### ➤ Global Healthcare & Pharma Industry (2026)

- **Strong Market Expansion:** The global pharmaceutical market exceeds \$2.15 trillion in 2026 and continues steady growth, driven by rising chronic diseases, aging populations, and strong demand across therapeutic areas.
- **Innovation & Digital Transformation:** 2026 is marked by optimism and resilience, with AI, data analytics, and digital platforms transforming drug discovery, clinical trials, manufacturing, and patient care.
- **Dealmaking & M&A Activity:** Strategic acquisitions and partnerships are accelerating, as companies seek to strengthen pipelines, access innovation, and build digital and scientific capabilities.
- **Investment Environment:** Healthcare private equity and institutional investment remain strong, reflecting confidence in long-term sector fundamentals and innovation potential.
- **Specialized Segments Growing:** Rapid growth in CDMOs, biologics, specialty drugs, and advanced formulations highlights increasing outsourcing and demand for complex therapies.

### ➤ Indian Healthcare & Pharmaceutical Industry (2026)

- **Growth Trajectory & Scale:** India's pharma industry is projected to grow 9–11% in 2026, supported by domestic demand, export expansion, and diversification beyond traditional generics.
- **Domestic & Export Growth:** The domestic market is expected to grow 8–10%, while export particularly to Europe and emerging markets continue to expand strongly.
- **Exports & Global Role:** Pharmaceutical exports exceed \$30 billion, reinforcing India's role as the "pharmacy of the world," supplying a significant share of global generics and vaccines.
- **Shift Toward Higher Value:** The industry is transitioning from commoditized generics to complex generics, biosimilars, specialty drugs, and innovation-driven models, aiming for long-term value creation.
- **Long-Term Vision:** India targets becoming a \$450–500 billion pharma sector by 2047, with 2026 seen as a key execution phase for innovation and quality upgrades.
- **Quality & Regulatory Reforms:** Stricter GMP compliance and global regulatory alignment are being implemented to enhance credibility and export competitiveness.
- **Digital Health & Integration:** Adoption of digital health, AI, telemedicine, and integrated care models is improving diagnostics, chronic disease management, and patient engagement.
- **Clinical Research Expansion:** India is strengthening its position in global clinical trials, including early-phase research and decentralized studies. Government initiatives such as PLI schemes, biotech incentives, and digital health funding are boosting manufacturing depth and innovation ecosystems.



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## Business Overview

Sun Pharmaceutical Industries Ltd is an Indian multinational pharmaceutical company founded in 1983 and headquartered in Mumbai, India. It is the largest pharmaceutical company in India and among the leading specialty generic pharmaceutical companies globally. The company manufactures and markets pharmaceutical formulations and Active Pharmaceutical Ingredients (APIs) across more than 100 countries. Major markets include India, the United States, emerging markets, and Europe. Sun Pharma operates 40+ manufacturing facilities worldwide and invests consistently in research and development to build a strong pipeline of specialty and complex generic products.



## Core Business: Pharmaceuticals & Specialty Solutions

Sun Pharma operates a diversified pharmaceutical business model across multiple segments:




- Branded generics business in India with leadership across chronic and acute therapies
- Strong portfolio in cardiology, neurology, psychiatry, gastroenterology, diabetology and oncology
- Generics business in the United States and other regulated markets
- Focus on complex generics and difficult-to-manufacture products
- Specialty pharmaceuticals in dermatology, ophthalmology and oncology
- Growing contribution from innovative and differentiated specialty products
- Manufacturing and supply of 400+ Active Pharmaceutical Ingredients (APIs)
- Strong backward integration supporting cost efficiency and supply reliability
- Over-the-counter (OTC) and consumer healthcare brands in domestic and select global markets.



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### Geographic Presence

- Market leader in India by prescription share
- Significant presence in the United States generics and specialty segments
- Strong footprint across emerging markets including Brazil, South Africa and Russia
- Expanding presence in Europe and other regulated markets

### Research & Development (R&D)

- Investment of approximately 6–8% of annual revenue in R&D
- Multiple R&D centers across India and international locations
- Focus on complex generics, specialty pipeline development and global regulatory filings

### Business Strengths

- Diversified product portfolio across therapies and geographies
- Strong domestic leadership and brand equity
- Global manufacturing infrastructure
- Increasing share of high-margin specialty products
- Established regulatory and compliance capabilities

### Strategic Impact

- Ability to compete effectively in price-sensitive generic markets
- Improved operating margins through cost optimization
- Faster global product launches due to regulatory-ready facilities
- Risk diversification through multi-location manufacturing footprint
- Enhanced resilience against regional economic or regulatory disruptions

### Research & Development Alliances

- Joint development agreements for complex generics and specialty drugs
- Technology partnerships for advanced drug delivery systems
- Clinical development collaborations to support global regulatory approvals
- Academic and scientific research partnerships to enhance innovation pipeline

### Recent Share Price Trends

- Shares have shown modest volatility, trading below their 52-week highs but remaining resilient relative to broader market indexes.
- Recent trading sessions saw small upticks and declines, often influenced by broader market moves
- Market sentiment has been mixed with share prices typically remaining 7–8 % below 52-week peaks.




### How It Creates Value

Sun Pharma creates shareholder value by combining cost-efficient large-scale manufacturing, high-margin specialty expansion, strong domestic leadership, and continuous innovation, while maintaining a diversified global revenue base that supports sustainable long-term growth..

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## Company Financials

### Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. bn)	526	581	644	714
EBITDA (Rs. bn)	151	166	193	220
Margin (%)	28.7	28.6	29.9	30.8
PAT (Rs. bn)	109	113	138	159
EPS (Ps.)	49.2	48.6	57.4	66.1
Gr. (%)	17.6	-1.1	18	15.1
DPS (Ps.)	18.7	19.9	21.1	21.1
Yield (%)	1.2	1.2	1.3	1.3
RoE (%)	16.1	14.9	16.6	17.1
RoCE (%)	17.8	17.9	19.4	20.1
EV/Sales (x)	7.1	6.3	5.6	4.9
EV/EBITDA (x)	24.7	22.2	18.8	16.1
PE (x)	32.4	32.8	27.8	24.1
P/BV (x)	5.3	4.9	4.4	3.9

### Consolidated -KPIs

INRm	FY25				FY26				FY25	FY26	3QE	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Domestic formulations	41,445	42,652	43,004	42,129	47,211	47,348	49,986	47,816	1,69,229	1,92,361	48,680	2.7
YoY Change (%)	16.4	11.0	13.8	13.6	13.9	11.0	16.2	13.5	13.7	13.7	13.2	
US sales	38,894	43,274	40,030	40,204	40,452	43,288	42,505	41,175	1,62,403	1,67,420	43,051	-1.3
YoY Change (%)	0.5	21.9	0.7	1.7	4.0	0.0	6.2	2.4	5.8	3.1	7.5	
ROW+EM	39,509	41,152	41,424	39,901	44,267	48,782	51,488	46,684	1,61,986	1,91,222	48,159	6.9
YoY Change (%)	5.4	1.7	6.9	8.9	12.0	18.5	24.3	17.0	5.7	18.0	16.3	
APIs	4,946	5,338	5,678	5,330	5,404	4,299	5,412	5,970	21,292	21,084	6,132	-11.8
YoY Change (%)	-8.3	7.4	21.8	28.2	9.3	-19.5	-4.7	12.0	11.0	-1.0	8.0	
<b>Cost Break-up</b>												
RM Cost (% of Sales)	21.4	20.3	21.0	20.6	20.4	20.7	19.7	20.8	20.8	20.4	20.7	
Staff Cost (% of Sales)	19.6	18.7	19.5	19.4	20.3	19.2	19.3	20.4	19.3	19.8	20.3	
R&D Expenses(% of Sales)	6.3	6.0	6.5	6.4	5.6	5.4	6.0	5.8	6.3	5.7	5.9	
Other Cost (% of Sales)	24.5	26.5	25.6	28.0	24.6	26.7	26.7	26.1	26.2	26.1	25.8	
Gross Margins(%)	78.6	79.7	79.0	79.4	79.6	79.3	80.3	79.2	79.2	79.6	79.3	
EBITDA Margins(%)	28.2	28.5	27.4	25.6	29.1	27.9	28.4	26.9	27.4	28.1	27.3	
EBIT Margins(%)	23.0	23.8	22.5	20.4	24.0	22.9	23.5	22.1	22.4	23.1	22.7	

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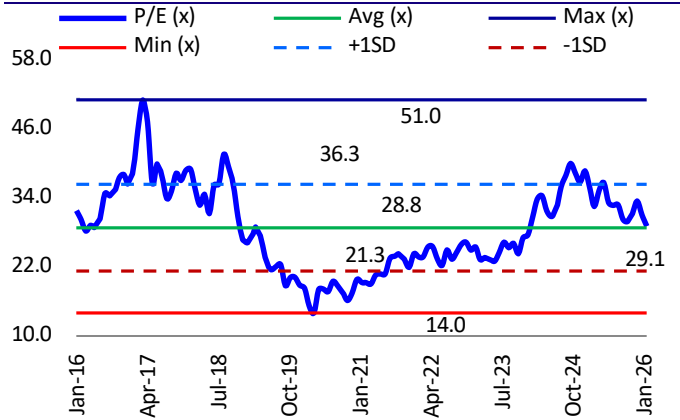
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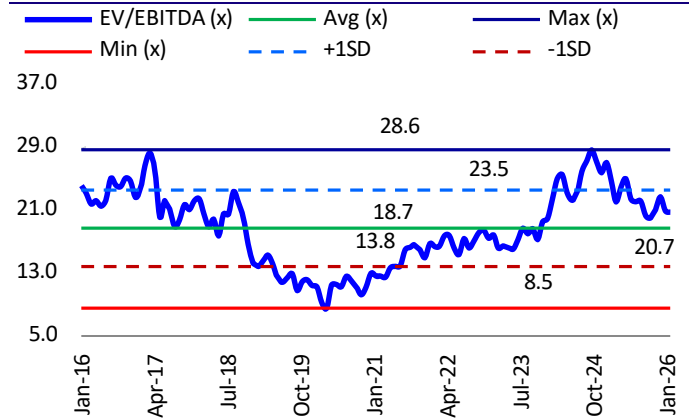
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## P/E chart



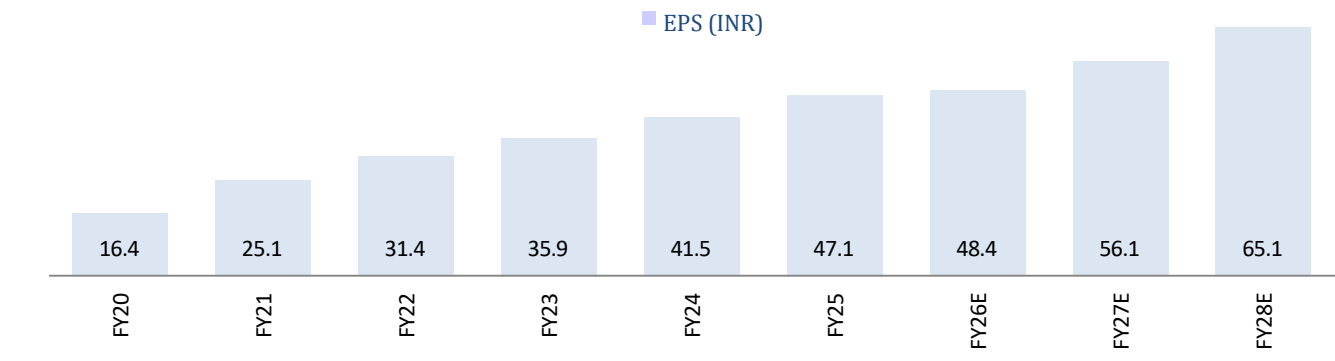
Source: Company, Bloomberg

## EV/EBITDA chart



Source: Company, Bloomberg

## Expect 11.4% EPS CAGR over FY25-28



Source: Company

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## Consolidated - Income Statement

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Total Income from Operations</b>	<b>3,84,264</b>	<b>4,32,789</b>	<b>4,77,585</b>	<b>5,16,612</b>	<b>5,73,922</b>	<b>6,31,429</b>	<b>6,98,635</b>
Change (%)	15.6	12.6	10.4	8.2	11.1	10.0	10.6
<b>EBITDA</b>	<b>1,01,688</b>	<b>1,16,142</b>	<b>1,29,871</b>	<b>1,41,689</b>	<b>1,61,095</b>	<b>1,83,114</b>	<b>2,06,796</b>
Margin (%)	26.5	26.8	27.2	27.4	28.1	29.0	29.6
Depreciation	21,437	25,294	25,566	25,754	28,465	28,654	29,317
<b>EBIT</b>	<b>80,250</b>	<b>90,847</b>	<b>1,04,305</b>	<b>1,15,936</b>	<b>1,32,630</b>	<b>1,54,461</b>	<b>1,77,479</b>
Int. and Finance Charges	1,274	1,720	2,385	2,314	3,232	1,145	795
Other Income	7,528	6,345	13,542	25,022	23,414	25,430	31,420
<b>PBT bef. EO Exp.</b>	<b>86,504</b>	<b>95,473</b>	<b>1,15,462</b>	<b>1,38,644</b>	<b>1,52,812</b>	<b>1,78,746</b>	<b>2,08,104</b>
EO Items	-43,191	-1,389	-4,581	-1,123	39	0	0
<b>PBT after EO Exp.</b>	<b>43,313</b>	<b>94,084</b>	<b>1,10,881</b>	<b>1,37,520</b>	<b>1,52,852</b>	<b>1,78,746</b>	<b>2,08,104</b>
Total Tax	10,755	8,476	14,395	27,720	36,356	43,435	51,194
Tax Rate (%)	24.8	9.0	13.0	20.2	23.8	24.3	24.6
Minority Interest	1,331	873	721	511	887	650	620
<b>Reported PAT</b>	<b>31,227</b>	<b>84,735</b>	<b>95,766</b>	<b>1,09,289</b>	<b>1,15,608</b>	<b>1,34,661</b>	<b>1,56,291</b>
<b>Adjusted PAT</b>	<b>75,265</b>	<b>86,066</b>	<b>99,688</b>	<b>1,13,075</b>	<b>1,16,201</b>	<b>1,34,661</b>	<b>1,56,291</b>
Change (%)	24.9	14.4	15.8	13.4	2.8	15.9	16.1
Margin (%)	19.6	19.9	20.9	21.9	20.2	21.3	22.4

## Consolidated - Balance Sheet

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	2,399	2,399	2,399	2,399	2,399	2,399	2,399
Total Reserves	4,77,713	5,57,555	6,34,268	7,19,781	8,05,788	9,10,848	10,37,537
<b>Net Worth</b>	<b>4,80,112</b>	<b>5,59,954</b>	<b>6,36,668</b>	<b>7,22,180</b>	<b>8,08,187</b>	<b>9,13,247</b>	<b>10,39,936</b>
Minority Interest	30,549	33,201	34,392	2,679	3,566	4,216	4,836
Total Loans	12,903	68,859	32,737	18,696	13,196	9,696	6,196
Deferred Tax Liabilities	-28,177	-34,872	-39,486	-42,153	-42,153	-42,153	-42,153
<b>Capital Employed</b>	<b>4,95,387</b>	<b>6,27,141</b>	<b>6,64,311</b>	<b>7,01,403</b>	<b>7,82,797</b>	<b>8,85,007</b>	<b>10,08,816</b>
Gross Block	3,21,161	3,47,419	3,56,848	4,27,042	4,49,417	4,74,891	5,02,336
Less: Accum. Deprn.	1,60,422	1,90,345	2,10,723	2,36,477	2,64,942	2,93,596	3,22,913
<b>Net Fixed Assets</b>	<b>1,60,739</b>	<b>1,57,074</b>	<b>1,46,124</b>	<b>1,90,565</b>	<b>1,84,474</b>	<b>1,81,295</b>	<b>1,79,424</b>
Goodwill on Consolidation	65,913	83,580	85,990	89,394	89,394	89,394	89,394
Capital WIP	12,868	49,732	53,539	12,343	14,969	16,494	17,549
<b>Total Investments</b>	<b>1,28,486</b>	<b>1,48,243</b>	<b>1,50,258</b>	<b>1,83,538</b>	<b>1,83,538</b>	<b>1,83,538</b>	<b>1,83,538</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>3,01,576</b>	<b>3,33,617</b>	<b>3,77,682</b>	<b>4,01,088</b>	<b>5,06,840</b>	<b>6,30,614</b>	<b>7,77,541</b>
Inventory	89,251	1,05,131	98,683	1,02,433	1,19,889	1,33,880	1,46,878
Account Receivables	1,04,846	1,14,385	1,12,494	1,30,461	1,46,232	1,64,344	1,81,837
Cash and Bank Balance	50,334	57,703	1,05,207	1,13,316	1,79,752	2,65,314	3,74,613
Loans and Advances	57,146	56,399	61,299	54,878	60,966	67,075	74,214
<b>Curr. Liability &amp; Prov.</b>	<b>1,74,195</b>	<b>1,45,106</b>	<b>1,49,282</b>	<b>1,75,525</b>	<b>1,96,417</b>	<b>2,16,328</b>	<b>2,38,629</b>
Account Payables	50,898	59,860	60,172	61,843	70,124	77,380	84,893
Other Current Liabilities	26,372	25,185	27,279	47,480	52,747	58,032	64,209
Provisions	96,925	60,060	61,832	66,202	73,546	80,915	89,527
<b>Net Current Assets</b>	<b>1,27,381</b>	<b>1,88,512</b>	<b>2,28,400</b>	<b>2,25,563</b>	<b>3,10,423</b>	<b>4,14,286</b>	<b>5,38,912</b>
<b>Appl. of Funds</b>	<b>4,95,387</b>	<b>6,27,141</b>	<b>6,64,311</b>	<b>7,01,403</b>	<b>7,82,798</b>	<b>8,85,007</b>	<b>10,08,816</b>

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## In summary:

- The company reported solid FY25 financials with revenue of ₹5,16,612 mn, EBITDA of ₹1,41,669 mn (margin 27.4%), and reported PAT of ₹1,09,289 mn, translating into an EPS of ₹48.4.
- Net worth stood at ₹7,22,180 mn with capital employed of ₹7,01,403 mn, reflecting a strong and well-capitalized balance sheet, while net current assets remained healthy at ₹2,25,563 mn.
- Looking ahead, revenue is projected to grow to ₹6,98,635 mn by FY28E, with EBITDA margins expanding toward 29–30% and EPS rising to ₹65, implying an EPS CAGR of 11.4% over FY25–28.
- Return ratios remain robust, with ROE and ROCE expected to stay in the 20–24% range, supporting steady compounding.
- At current levels, the stock appears to trade around its historical average to slightly above-average multiples, suggesting it is fairly valued; future returns are likely to track earnings growth in the low-to-mid teens rather than being driven by significant re-rating.

## Peer Comparison

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1	Sun Pharma.Inds.	1720.2	34.01	412915.8	0.93	3381.17	18.73	15520.54	13.49	20.21
2	Divi's Lab.	6214	65.05	164848.3	0.48	583	8.2	2604	12.29	20.44
3	Torrent Pharma.	4236.85	62.2	143429.6	0.75	635	27.63	3303	17.59	27.05
4	Cipla	1339.4	22.75	108242	0.97	674.25	-43.7	7074.48	0.02	22.72
5	Dr Reddy's Labs	1282.2	19.2	107024.7	0.62	1189.6	-14.42	8753.4	4.44	22.69
6	Lupin	2238.4	20.56	102350.6	0.53	1180.51	75.99	7167.52	24.27	21.3
7	Zydus Lifesci.	902	17.78	90807.16	1.22	1022.9	7.7	6864.5	30.28	24.31
	Median: 153 Co.	365.95	27.93	1529.19	0.11	12.42	17.9	161.22	11.14	15.07

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## Key Strengths

### Resilient Global Supply Chain

Sun Pharma's diversified manufacturing network including India and US facilities reduces reliance on any single region and mitigates risks from global supply chain disruptions, shipping delays, or geopolitical tensions. This ensures reliable delivery to both domestic and international markets.

### Natural Hedge Against US Tariffs and Trade Barriers

Sun Pharma's US-based manufacturing, combined with India-based production, allows it to export and supply the US market with minimal impact from tariffs or import restrictions. Local production ensures compliance with US regulations, avoids additional costs, and strengthens its competitive position in the world's largest pharmaceutical market.

### Strong Domestic Market Position Amid Rising Healthcare Demand

India's growing chronic disease burden and government healthcare initiatives provide a steady demand base. Sun Pharma's leadership in branded generics enables it to capture increasing domestic consumption while benefiting from policy-driven healthcare expansion.

### Focus on Specialty & Complex Generics Reduces Price Sensitivity

High-margin specialty segments such as dermatology, ophthalmology, and oncology are less affected by commodity pricing pressures, inflation, or supply chain cost fluctuations, supporting stable revenue and profitability even during economic uncertainties.

### Robust Regulatory Compliance

Sun Pharma's compliance with global standards, including USFDA and EMA, ensures continued access to regulated markets. This is particularly valuable in an era of heightened regulatory scrutiny and evolving trade policies.

### Leveraging India as a Global Pharma Hub

India's position as a preferred alternative to China for pharmaceutical supply gives Sun Pharma a competitive advantage in exports. The company can meet global demand efficiently while navigating shifting trade policies, tariffs, and sourcing restrictions.

### Long-Term Government & Institutional Contracts

Sun Pharma's involvement in government tenders, public health programs, and institutional contracts provides predictable, recurring revenues, insulating the company from short-term shocks due to trade disruptions, policy changes, or market volatility.

### Innovation and R&D for Emerging Needs

Consistent investment in R&D enables rapid development of complex generics and specialty drugs tailored to current global healthcare challenges, including post-pandemic care, chronic disease management, and lifestyle-driven conditions.

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## Key Risks

### Regulatory and Compliance Risk

- Exposure to USFDA, EMA, and other global regulatory inspections; delays or non-compliance can halt production or affect market access.
- Increased scrutiny on quality standards and evolving drug approval norms can lead to warning letters, import alerts, or product recalls.

### Generic Pricing Pressure in the US

- High competition in the US generics market can lead to price erosion.
- Dependence on a few high-revenue drugs in the US makes revenues sensitive to price reductions, patent expiries, or new entrants.

### Supply Chain & Raw Material Volatility

- Rising costs of raw materials, APIs, or intermediates can impact margins.
- Dependence on global suppliers exposes the company to geopolitical tensions, trade restrictions, or logistics disruptions.

### Global Tariffs and Trade Barriers

- Despite US and Indian manufacturing, shifts in trade policy, tariffs, or export restrictions in key markets can affect cost structure and competitiveness.
- Emerging markets may impose protectionist policies that limit market access or reduce profitability.

### Dependence on Specialty & High-Margin Products

- Specialty segments offer higher margins but require continuous innovation and regulatory approval.
- Delays in product launches or clinical setbacks can impact revenue growth and market perception.

### Currency and Foreign Exchange Risk

- Significant portion of revenues comes from the US, Europe, and emerging markets.
- Currency fluctuations can impact reported revenue, margins, and profitability.

### Litigation and Intellectual Property Risks

- Patent litigations in the US or other regulated markets can delay product launches.
- Exposure to intellectual property challenges may result in fines, settlements, or loss of exclusivity.

### Macroeconomic and Domestic Healthcare Policy Risks

- Inflation, interest rate hikes, and economic slowdown can affect healthcare spending.
- Changes in domestic drug pricing regulations, reimbursement policies, or government tenders can impact revenues.



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### Emerging Competitors & Technological Disruption


- New entrants in generics, biosimilars, or specialty drugs can increase competition.
- Technological innovation by competitors in drug delivery, biologics, or digital healthcare may impact market share.

### Valuation and Outlook

- FY25 performance remains strong with healthy revenue growth, 27% EBITDA margins, and solid EPS (₹48).
- Revenue and EPS expected to grow at 10–12% CAGR through FY28E. Margins likely to expand toward 29–30%, supporting steady profit growth. ROE and ROCE remain robust (20–24%), reflecting efficient capital allocation.
- Balance sheet is strong, with healthy net worth growth and manageable leverage.
- Valuation appears fair to slightly elevated; returns likely to mirror earnings growth (12–15% annually).
- This profile reflects a business that benefits from scale, a diversified product portfolio across generics, speciality therapies, and emerging markets, and disciplined cost management.
  
- We retain a **positive stance** on Sun Pharmaceutical Industries Ltd, supported by strong traction in its innovative portfolio, continued product launches and market share gains in the Domestic Formulations segment, and steady performance across ROW and Emerging Markets.
- we recommend **BUY** at current levels

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