MIRAE ASSET Sharekhan

Stock Update

Result Update

# Sun Phamaceutical Industries Ltd

## Innovative drugs aiding growth

| Pharmaceuticals | Sharekhan code: SUNPHARMA |
|---|---|
| Reco/View: Buy ↔ | CMP: **Rs. 1,779** (as on Nov 21, 2025) |
| | Price Target: **Rs. 1,968** ↓ |

| 3R MATRIX | + | = | - |
|---|---|---|---|
| Right Sector (RS) | ✓ | | |
| Right Quality (RQ) | ✓ | | |
| Right Valuation (RV) | ✓ | | |

\+ Positive = Neutral – Negative

**What has changed in 3R MATRIX**

| | Old | | New |
|---|---|---|---|
| RS | | ↔ | |
| RQ | | ↔ | |
| RV | | ↔ | |

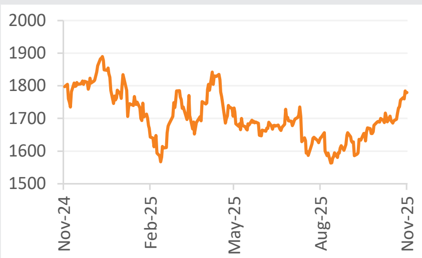
**Company details**

| | |
|---|---|
| Market cap: | Rs. 1,20,927 cr |
| 52-week high/low: | Rs. 1,788/1,773 |
| NSE volume: (No of shares) | 22.63 lakh |
| BSE code: | 524715 |
| NSE code: | SUNPHARMA |
| Free float: (No of shares) | 15.4 cr |

**Shareholding (%)**

| | |
|---|---|
| Promoters | 54.5 |
| FII | 16.6 |
| DII | 20.1 |
| Others | 8.9 |

**Price chart**




*Source: NSE India, Mirae Asset Sharekhan Research*

**Price performance**

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | 7.9 | 1.6 | -0.4 | -1.0 |
| Relative to Sensex | 3.5 | -6.9 | -11.6 | -8.7 |

*Source: Mirae Asset Sharekhan Research, Bloomberg*


### Summary

- Global sales of innovative medicines stood at $333 million (~Rs. 29,000 crore), up 16.4% and accounting for 19.8% of H1 sales. In this quarter, US sales of innovative medicines exceeded generics for the first time.
- Ilumya's sales grow robustly, contributing significantly to global innovative medicines; drug now commercialised in 35 major markets.
- Company remains on track for key US launches in H2FY26, including Unloxcyt (oncology).
- We value the stock at 34x on FY28E EPS of Rs. 57.9x and retain BUY with a revised PT of Rs.1,968.


**Q2FY26 revenue from operations rose 8.6% year-on-year to Rs. 14,478 crore in Q2FY26, compared to Rs. 13,291 crore in Q2FY25. EBITDA stood at Rs. 4,527 crore, up 14.9% y-o-y, with an EBITDA margin of 31.3%. Consolidated net profit increased 2.6% year-on-year to Rs. 3,118 crore. R&D investments were Rs. 783 crore, at about 5.4% of sales.**

### Innovative drug help cushion the impact of price erosion

Sun Pharma's efforts to improve performance of specialty innovative medicine segment is paying off. While revenue growth has been consistent, price erosion remains a concern. Global innovative medicines sales were $333 million (around Rs. 29,000 crore), up 16.4% and accounting for 19.8% of H1 sales. US sales of innovative medicines exceeded generics for the first time. Going forward, the company remains on track for key US launches in H2FY26, including Unloxcyt (oncology) and new indications for Ilumya.

### Non-US business (~70%) provides geographical diversification

India formulation sales were Rs. 4,735 crore, growing 11% year-on-year and accounting for about 33% of total consolidated sales for the quarter. Emerging Markets (EM) formulations sales were at $325 million (approximately Rs. 2,702 crore), up 10.9% year-on-year, contributing around 19.7% of consolidated sales, reflecting broad-based international strength. Rest of World (RoW) formulation sales were $234 million (approximately Rs. 1,946 crore), up 17.7%, accounting for 14.2% of total sales, with growth seen in both generics and innovative medicines.

### Our Call

**Valuation – Retain Buy with revised PT of Rs.1,968:** The rising share of innovative drugs would help cushion the price erosion of generics. The change in portfolio mix has raised valuations over the last three years and is currently trading at 3 year avg 1 year fwd P/E of 31x. Additionally, the company also has low leverage and a healthy cash flows. We value the stock at 34x on FY28E EPS of Rs. 57.9x and retain Buy with a revised PT of Rs.1,968.

### Key Risks

1) Adverse tariff impact from the USA which accounts for ~30% of revenues.
2) Delay in launch of new products.
3) Currency fluctuation risk.

**Valuation (Consolidated)** Rs cr

| Particulars | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Total Sales | 4,77,585 | 5,20,413 | 5,75,202 | 6,33,314 | 7,01,040 |
| Sales growth | 10.4 | 9.0 | 10.5 | 10.1 | 10.7 |
| EBITDA | 1,22,847 | 1,47,345 | 1,64,780 | 1,77,272 | 2,03,495 |
| EBITDA (%) | 25.7% | 28.3% | 28.6% | 28.0% | 29.0% |
| Reported PAT | 96,485 | 1,09,801 | 1,15,846 | 1,21,717 | 1,39,011 |
| EPS (Rs) | 39.9 | 45.6 | 48.2 | 50.7 | 57.9 |
| PER (x) | 30.8 | 37.3 | 36.9 | 35.1 | 30.8 |
| P/BV (x) | 4.6 | 5.4 | 4.9 | 4.3 | 3.8 |
| EV/EBITDA (x) | 21.1 | 25.1 | 23.4 | 21.7 | 18.7 |
| ROCE (%) | 16.7 | 18.6 | 17.2 | 16.1 | 16.3 |
| RoE (%) | 16.0 | 15.7 | 14.2 | 13.1 | 13.2 |

*Source: Company; Mirae Asset Sharekhan estimates*

## Q2FY26 concall highlights

- Sun Pharma grew its market share in India from 8.0% to 8.3%, remaining the country's leading pharmaceutical company.
- Nine new products were launched in the domestic market and 15 in H1, company remains focused on strengthening its innovative and specialty pipeline.
- R&D investments were Rs. 783 crore, at about 5.4% of sales.
- Sun is expected to be among the first wave to launch GLP-1 in India
- Innovative drugs continue to perform well with Ilumya sales grow robust with 16.4% year-on-year growth to $333 million. Cequa (dry eyes disease), Odomzo (basal cell carcinoma) and Winlevi (for acne treatment) performance remains steady.

**Results** Rs cr

| Particulars | Q2FY26 | Q2FY26 | Y-o-Y % | Q1FY26 | Q-o-Q % |
|---|---|---|---|---|---|
| Total Sales | 14478.31 | 13291.39 | 9% | 13851.4 | 5% |
| Expenditure | 9951.26 | 9352.43 | 6% | 10367.74 | -4% |
| **EBITDA** | **4527.05** | **3938.96** | **15%** | **3483.66** | **30%** |
| Depreciation | 729.5 | 625.9 | 17% | 700.5 | 4% |
| **EBIT** | **3797.55** | **3313.06** | **15%** | **2783.16** | **36%** |
| Interest | 99.86 | 69.17 | 44% | 74.8 | 34% |
| Other income | 469.92 | 354 | 33% | 464.46 | 1% |
| PBT | 4167.6 | 3597.8 | 16% | 3172.7 | 31% |
| Taxes | 1030.5 | 567.2 | 82% | 870.1 | 18% |
| PAT | 3117.95 | 3040.16 | 3% | 2872.29 | 9% |
| EPS | 13 | 12.7 | 2% | 9 | 44% |
| **Margins** | | | **BPS** | | **BPS** |
| EBITDA % | 31.27% | 29.64% | 163.24 | 25.15% | 611.76 |
| NPM % | 21.54% | 22.87% | -133.78 | 20.74% | 79.89 |

*Source: Company; Mirae Asset Sharekhan Research*

## Outlook and Valuation

### Sector Outlook – Input cost easing with companies focusing on complex product launches

Over the years, Indian pharmaceutical companies have established themselves as a dependable source for global pharma companies. A confluence of other factors, including a focus on specialty/complex products in addition to emerging opportunities in the API space, would be key growth drivers over the long term. The sector is witnessing easing of input cost like raw material costs, freight, power, which would aid the sector in expanding margins. The sector is also witnessing easing of price erosion followed by increasing contribution from product launches. We believe the sector is in sweet spot, where it is experiencing healthy product mix and cost rationalisation which increases operational profit of the companies. The sector is mainly a low-debt sector and increasing operational profit followed by experiencing advantage of low tax rate due to its operations in the SEZ sector, hence overall, we stay positive on the sector.

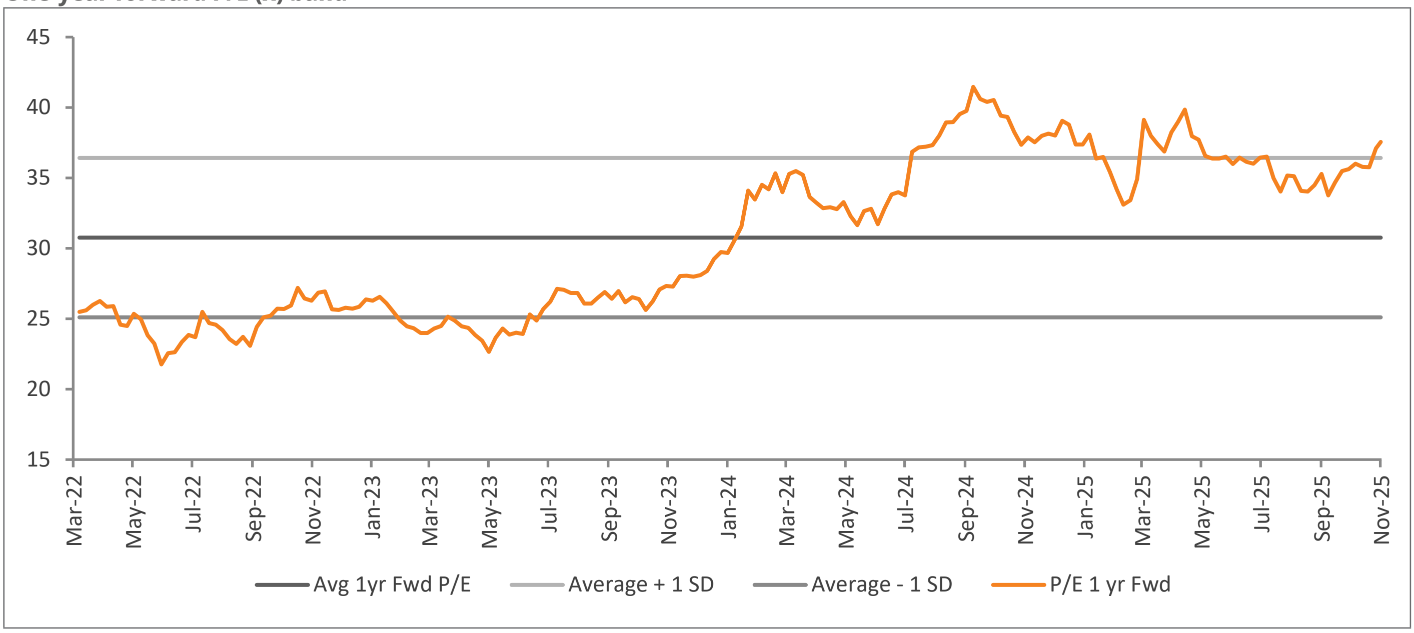
### Company Outlook – Strong growth prospects

Sun Pharma is present across a broad spectrum of chronic and acute therapies, which include generics, branded generics and complex drugs. India and the US are key markets for the company and constitute ~60% of the total topline. Sun Pharma's US business is improving, largely backed by a marked growth in the specialty portfolio due to growth in existing geographies as well as tapping new geographies and product portfolio expansion/launches. This coupled with a strong product pipeline, which would unfold going ahead, would be the key growth driver for the US business. Domestic formulations are on a strong footing as the chronic portfolio has reported healthy growth. The acute therapies portfolio has also gathered traction and is expected to sustain strong growth traction. Management expects the domestic formulations business to continue its strong growth on account of new launches, growth in the existing business, and improvement in field force productivity and aims to outpace the industry's growth. Therefore, improved outlook across both key geographies, India and US, and increasing penetration in other geographies, would drive growth for Sun Pharma.

### Valuation – Retain Buy with revised PT of Rs.1,968

The rising share of innovative drugs would help cushion the price erosion of generics. The change in portfolio mix has raised valuations over the last three years and is currently trading at 3 year avg 1 year fwd P/E of 31x. Additionally, the company also has low leverage and a healthy cash flows. We value the stock at 34x on FY28E EPS of Rs. 57.9x and retain Buy with a revised PT of Rs.1,968.

**One-year forward P/E (x) band**




*Source: Company; Mirae Asset Sharekhan Research*

## About company

Sun Pharma is the fourth largest specialty generic pharmaceutical company in the world. Founded in 1983, Sun Pharma has grown to become India's largest pharmaceutical company with global revenue of over $4 billion. The company manufactures and markets a large basket of pharmaceutical formulations, covering a broad spectrum of chronic and acute therapies, which include generics, branded generics, complex or difficult-to-make technology-intensive products, over the counter (OTC) products, anti-retroviral (ARVs), APIs, and intermediates. The company's global presence is supported by over 40 manufacturing facilities. India and the U.S. are predominant markets, accounting for nearly 65% of revenue.

## Investment theme

Sun Pharma is a leading pharmaceutical company present across a broad spectrum of chronic and acute therapies, which include generics, branded generics, and complex drugs. India and U.S. are the key markets for the company and constitute around 60% of the total topline. Outlook for the U.S. business has improved on account of a likely revival in the U.S. specialty business coupled with a strong product pipeline, which would unfold going ahead and would be the key growth driver for the U.S. business. Moreover, price erosion is largely stable in the U.S. generic business. Domestic formulations are on a strong footing as the chronic portfolio (50% of India sales) has reported healthy growth. The acute portion of the portfolio was impacted, but it now has revived. Management sees the domestic formulations business to sustain the strong growth momentum and outpace the industry's growth. While driven by the specialty segment's sales, the U.S. business also has healthy growth prospects.

## Key Risks

- Adverse tariff impact from the USA which accounts for ~30% of revenues
- Delay in launch of new products.
- Currency fluctuation risk.

## Additional Data

### Key management personnel

| Name | Designation |
|---|---|
| Dilip S. Shanghvi | MD and Founder |
| Richard Ascroft | CEO, North America |
| Kirti Ganorkar | MD |

*Source: Company Website*

### Top 10 shareholders

| Sr. No. | Holder Name | Holding (%) |
|---|---|---|
| 1 | Shanghvi Finance Pvt Ltd | 40.31 |
| 2 | Shanghvi Dilip Shantilal | 9.6 |
| 3 | Life Insurance Corp of India | 4.22 |
| 4 | ICICI Prudential Asset Management | 4.16 |
| 5 | Vanguard Group Inc/The | 1.9 |
| 6 | SBI Funds Management Ltd | 1.78 |
| 7 | Aditya Medisales Ltd | 1.67 |
| 8 | Blackrock Inc | 1.58 |
| 9 | NPS Trust A/c Uti Retirement Solut | 1.44 |
| 10 | Valia Raksha Sudhir | 1.2 |

*Source: Bloomberg*

## Understanding the Mirae Asset Sharekhan 3R Matrix

| | |
|---|---|
| **Right Sector** | |
| Positive | Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies |
| Neutral | Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies |
| Negative | Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability. |
| **Right Quality** | |
| Positive | Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance. |
| Neutral | Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable |
| Negative | Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet |
| **Right Valuation** | |
| Positive | Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment. |
| Neutral | Trading at par to historical valuations and having limited scope of expansion in valuation multiples. |
| Negative | Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple. |

Source: Mirae Asset Sharekhan Research

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