# Sun Pharmaceutical Industries Ltd

## *Leading Player in Global Specialty Pharmaceuticals*

**March 15, 2026**

## Reco BUY

| | |
|---|---|
| Industry | Pharma |
| LTP (March 13, 2026) | 1801.6 |
| Entry Range | 1781-1814 |
| Add on Dips | 1645-1664 |
| Base Case Target | 1933 |
| Bull Case Target | 2052 |
| Time Horizon | 4 Quarters |

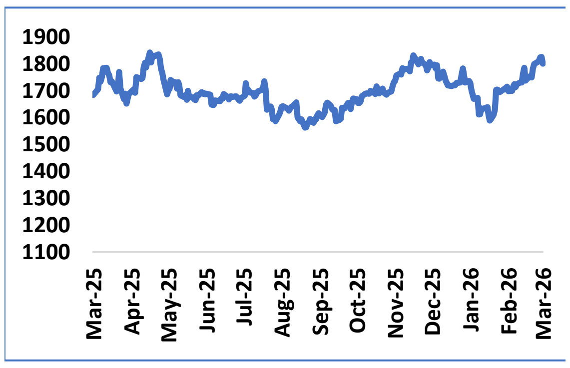
### Stock Info

| | |
|---|---|
| HDFC Scrip Code | SUNPHAEQNR |
| BSE Code | 524715 |
| NSE Code | SUNPHARMA |
| Bloomberg | SUNP: IN |
| Equity Capital (Rs Cr) | 239.9 |
| Face Value (Rs) | 1 |
| Equity Share O/S (Cr) | 239.9 |
| Market Cap (Rs Cr) | 4,32,361 |
| Book Value (Rs) | 324 |
| Avg. 52 Wk Volumes | 37,41,220 |
| 52 Week High | 1851 |
| 52 Week Low | 1548 |

### Share Holding Pattern (%) (Dec'25)

| | |
|---|---|
| Promoters | 54.5 |
| Institutions | 36.9 |
| Non-Institutions | 8.6 |
| Total | 100.0 |

### One Year Price Chart





* Refer at the end for explanation on Risk Ratings

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**Largest player in the domestic formulation with rapidly growing Specialty Global business**

*Sun Pharma is the largest pharma company in the domestic market and leading Specialty generic pharma company in the world. Its Specialty business has been growing at strong pace in the last 2-3 years. It is on track to cross sales of US$ 1.5 billion in the medium term. US generic pharma business model in the US is undergoing a gradual shift and companies with specialised R&D skillsets would be able to tide over the transformation better.*

*In the domestic formulation business, the company has strong portfolio in chronic and sub-chronic segment. It has leadership position in few therapeutic areas such as Cardiac, CNS, Gastro, Anti-diabetic, Pain/Analgesics etc. We estimate 12% CAGR in domestic formulation sales over the next 2 years. The company has an agnostics approach for M&As as it is looking for both product and the company. Also, scouting in geographies like Europe, China, and other developed markets.*

*We feel that investors can buy Sun Pharma in the band of Rs 1781-1814 and add more on declines to Rs 1645-1664 (25.5x FY28E EPS) for base case target of Rs 1933 (~29.5x FY28E EPS) and bull case target of Rs 2052 (31.5x FY28E EPS) over the next 4 quarters.*

## Our Take

Sun Pharma is the largest pharma company in the domestic market and leading Specialty generic pharma company in the world. Its Specialty business has been growing at strong pace in the last 2-3 years. It is on track to cross sales of US$ 1.5 billion in the medium term. US generic pharma business model in the US is undergoing a gradual shift and companies with specialised R&D skillsets would be able to tide over the transformation better.

In the domestic formulation business, the company has strong portfolio in chronic and sub-chronic segment. It has leadership position in few therapeutic areas such as Cardiac, CNS, Gastro, Anti-diabetic, Pain/Analgesics etc. Company has 32 brands in top-300 brands in the IPM. We estimate 12% CAGR in domestic formulation sales over the next 2 years. Sun Pharma has about 12% of its domestic formulation product portfolio under NLEM which is relatively lower than its peers such as Alkem, Zydus Lifesciences, Cipla and Lupin.

R&D investment is likely to increase for specialty business, which may impact profitability in the near term. Management has guided for higher R&D expenses at 7-8% of sales for the medium term. We remain positive on Sun's long-term outlook considering its strong India franchise and scale-up in the specialty business. Sun Pharma has approval for 550 products and 116 ANDAs await US FDA approval. Price erosion in the business has softened to single digits while dependence on Halol plant is significantly lower now. Given that branded generics contribute over 60% of revenue and substantially higher to EBITDA, the relative impact from any negative surprise in US generics may not materially dent Sun's earnings.

Company has paid off debt worth US$ 1.3 billion in the past 36 months and now the B/S is very strong with net cash of US$ 3.2 billion as of Dec-2025. Domestic formulation and US business would be the key driver for earnings in the medium term. Earlier there was high double digit price erosion and now it has come down to high single digit.

Global Specialty business contributed to ~20% of overall sales as against 11% in FY21. Company has a portfolio of around 30 products in the Specialty segment. We remain positive on the stock on the back of net cash rich B/S, leadership position in domestic formulation space, superior margin profile, and frontrunner in Specialty business.

## Valuation & Recommendation

Over the past few years, Sun Pharma has made significant strides in transforming itself into Global Specialty player with series of acquisitions and ramp up of its key assets such as Ilumya, Winlevi etc. Company is one of the leader in few of the therapeutic areas such as CNS, Cardiac, Anti-diabetic etc. in the domestic formulation market. Branded generics ensure steady cash flow while Sun is ahead of most of its India peers in the US specialty race. Sun's specialty business revenue is growing on the back of traction in key assets such as Ilumya, Winlevi and Cequa. Company has acquired Concert Pharma to gain access to NCE drug deuruxolitinib, which is used in treatment of alopecia areata (for which there is significant unmet need).

Sun has been launching 50-60 products annually each year in the last 3-4 years and also increased medical representative (MR) count by significantly for better penetration in metros and tier-1 cities. We expect domestic formulation business to witness a CAGR of 12% while US business is likely to see ~9% growth over FY25-28E. We estimate Revenue/EBITDA/PAT to register CAGR of 10%/11%/13% over FY25-28E.

We feel that investors can buy Sun Pharma in the band of Rs 1781-1814 and add more on declines to Rs 1645-1664 (25.5x FY28E EPS) for base case target of Rs 1933 (~29.5x FY28E EPS) and bull case target of Rs 2052 (31.5x FY28E EPS) over the next 4 quarters.

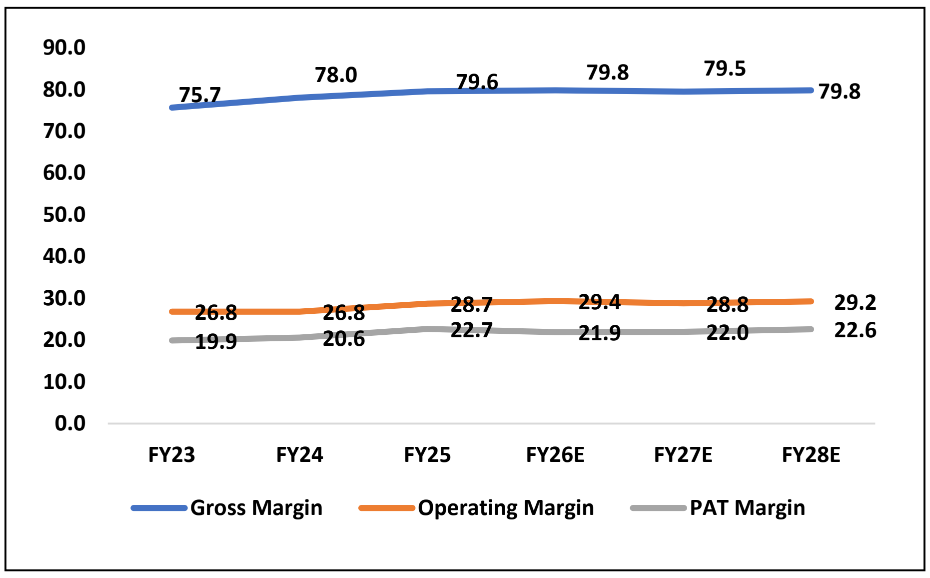
## Financial Summary

| Particulars (in Rs Cr) | Q3FY26 | Q3FY25 | YoY (%) | Q2FY26 | QoQ (%) | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating Income | 15,521 | 13,675 | 13.5 | 14,478 | 7.2 | 48,497 | 52,578 | 58,847 | 65,048 | 69,967 |
| EBITDA | 4948 | 4009 | 23.4 | 4528 | 9.3 | 12,987 | 15,086 | 17,272 | 18,714 | 20,451 |
| PAT | 3369 | 2903 | 16 | 3118 | 8 | 9576 | 10,929 | 11,798 | 14,152 | 15,651 |
| Diluted EPS (Rs) | 14 | 12.1 | 16 | 13 | 8 | 41 | 49.2 | 53.3 | 59 | 65.2 |
| RoE-% | | | | | | 16.4 | 17.4 | 16.8 | 16.6 | 16.4 |
| P/E (x) | | | | | | 43.9 | 36.5 | 33.7 | 30.5 | 27.5 |
| EV/EBITDA (x) | | | | | | 32.2 | 27.1 | 23.3 | 21.1 | 18.8 |

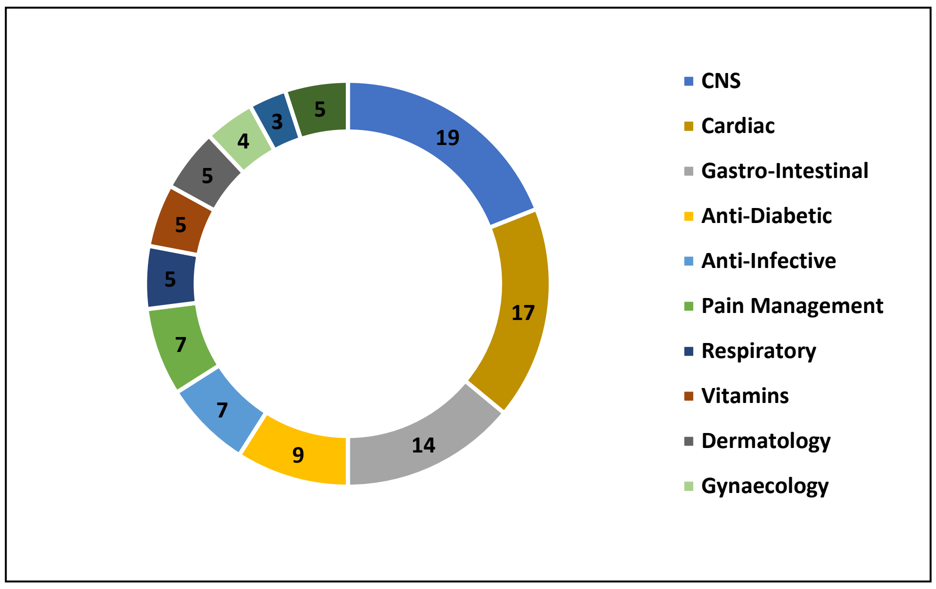
(Source: Company, HDFC sec)

## Story in Charts

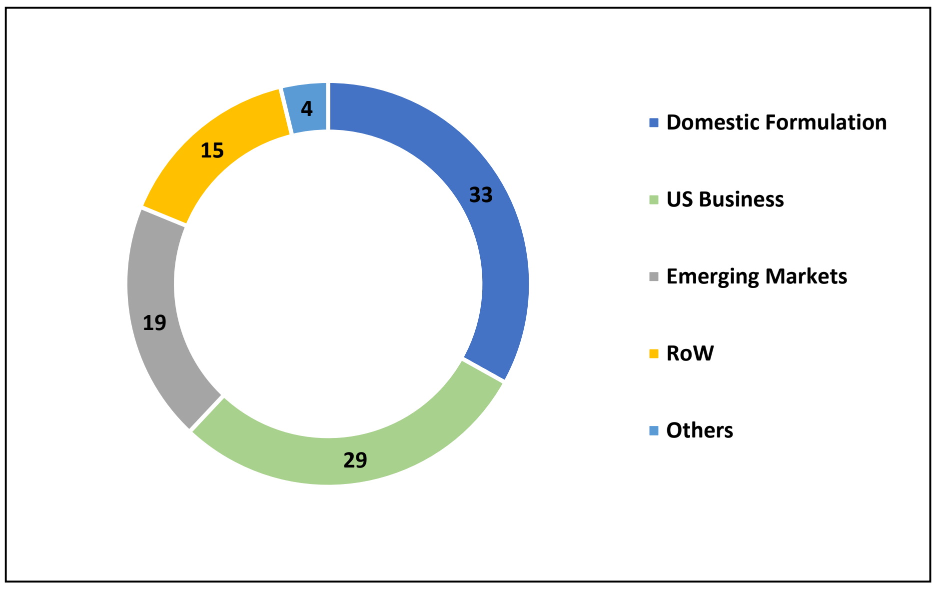
***Steady Margin Profile***



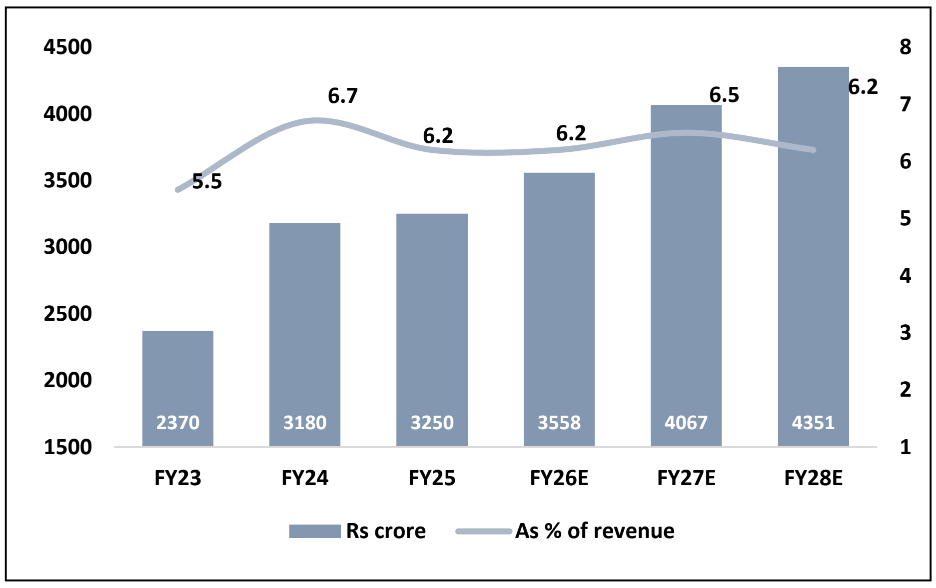

***Domestic Formulation Mix (%)***




***Business Split (%)***




***R&D expenses trend***




(Source: Company, HDFC sec)

### Q3FY26 Result Update

- Overall numbers were strong in the quarter. Revenue for the quarter increased 13.5% YoY at Rs 15,521cr. Operating margin improved 255bps YoY at 31.9%. Foreign exchange gain stood at Rs 154cr as against forex loss of Rs 183cr in Q3FY25. Adj. to forex gain operating margin improved 25bps YoY at 30.9%.
- Net profit increased 16% YoY at Rs 3368.8cr. Other Income was up 24.3% YoY at Rs 578.8cr. Exceptional loss for the quarter stood at Rs 489.5cr.

- Domestic formulations revenue increased 16.2% YoY at Rs 4998.5cr. US sales were up 6.2% YoY at Rs 4250cr. Emerging markets (EM) sales grew 28.3% YoY at Rs 3000cr. RoW revenue increased 21% YoY at Rs 2639cr.
- Global Specialty sales stood at US$ 423mn, which included US$ 55mn as milestone payment. For 9MFY26, Global specialty sales were at US$ 1067mn.
- R&D expenses were at Rs 893 crore or 5.8% of sales in Q3FY26 as against Rs 845 crore in Q3FY25 and Rs 783 crore in Q2FY26.
- R&D pipeline includes five novel entities in clinical stage. Sun has a comprehensive product offering in the US market consisting of approved ANDAs for 550 products while filings for 116 ANDAs await US FDA approval, including 28 tentative approvals. Its portfolio includes 57 approved NDAs while 14 NDAs await US FDA approval.
- Board recommended Rs 11 per share interim dividend for FY26. EPS for the quarter stood at Rs 14 and it was at Rs 36.5 for 9MFY26.

### Conference Call Highlights

- Gross margin improved due to a better product mix. Branded and Innovative products recorded an uptick compared with the previous year. Net cash as of December, 2025 stood at US$ 3.2bn.
- Q3FY26 R&D - Innovative Medicine: 30.5% of total R&D and 7.2% of global innovative medicine sales. Company has launched Illumya in India. It has filed supplemental Biologics License Application (sBLA) with US FDA for psoriatic arthritis. US FDA has also updated label with additional efficacy data in treatment psoriasis of the nail.
- M&A strategy - To maintain focus on innovative medicine in the US. May consider smaller acquisition in existing business to scale up in the EM region. If necessary, the company can raise debt as well.
- Biosimilars foray – Sun Pharma is re-evaluating investments in biosimilar including setting up manufacturing facility based on development cost and the time needed for investment to generate returns.
- Milestone income recorded in RoW business, it was one-off in Q3FY26.
- Unloxcyt launched in the US. US FDA approved label based on long-term data demonstrating improved clinical outcomes in advanced cutaneous squamous cell carcinoma. Currently, Sun Pharma is in active discussion with health systems to ensure wide access. Currently, Sun is in touch with top-50 cancer centres within US.
- India business grew 16% YoY driven by new launches and volume growth. Its strong MR force continues to deliver IPM-beating growth. With a GLP-1 launch slated for Mar-2026 and market leadership across multiple therapies, we expect this outperformance to sustain in the medium term. The global specialty business grew 13% YoY, excluding the US$ 55mn milestone income.

**R&D guidance**

- As new clinical trials (including GL001) are increasing, R&D spend should increase going ahead.
- Innovative medicine business (ex-milestone): Q3FY25 had a high base due to one-off sales to the partner and this caused sluggish growth in Q3FY26.
- New launches spend – Leqselvi and Unloxyt costs are equally split with expenses increasing in H2FY26. In FY27E, costs shall be part of the core operating business to support the global innovative business.

**US Business**

- It has launched three new generic products in Q3FY26. Generics business was down in the US due to competition from certain products. Generic business to recover once manufacturing compliance is met and new products are launched. Q3FY26 had negligible Lenalidomide contribution.

**India/EM/others**

- Semaglutide in India will be launched on Day-1. It has approval for both the indications under brand name (Noveltreat – Weight management; Sema Trinity – Type-2 Diabetes). Few field force will be added for the launch, with some have been deployed already.
- Sun Pharma has received approval only for injection. Generic product launch should improve access, and expand the market. Sun's market share has increased from 8.1% to 8.4%.
- In the EM, during Q3FY26, CC growth was at 13%. Romania, South Africa and Brazil performed well in local currency terms due to currency tailwinds.

- RoW growth was witnessed in generic as well as innovative medicines business.

### Other Key Highlights

- The company expects to sustain growth momentum and outperform IPM. The focus to have a well-balanced growth across volume, price, and new launches. Focus is on growing chronic business (53% of sales) by sustaining leadership in key therapies and new launches.
- The company is investing in expanding its field force (added ~4,500 MRs over last five years; total count at 15,100 as of FY25) to increase market coverage; currently, it has dominant presence in metro and select tier 1-3 cities. It is on track for day-1 launch of Semaglutide in India after patent expiry. No major capacity addition plan for the India business.
- The company has an agnostics approach for M&As as it is looking for both product and the company. Also, scouting in geographies like Europe, China, and other developed markets.
- The company is investing toward export-oriented manufacturing plant (in Madhya Pradesh) to de-risk the key plants like Halol, Baska (in Gujarat), and Mohali. It expects to commission plants over the next 4-5 years.
- In EM/RoW markets, the focus remains on improving traction in key existing markets like Europe, Canada, Japan, Israel, and Australia. It is looking to expand in select geographies. It indicates it will participate in RoW/EMs opportunity related to GLP-1.
- Leqselvi: Launched in Jul-25, payor enrollment is ongoing; better efficacy vs. competition brands will provide edge; expects traction to improve in 1-2 years.
- Unloxcyt: Launch is delayed to H2FY26 as working on label update for addition efficacy trial-related data. The company sees doctor coverage overlapping with its exiting Odomzo coverage; looking to expand doctor coverage.
- Ilumya: Steady traction to continue; minor impact due to bStelara entry; remains optimistic on long runway of growth.
- Winlevi: Change in distribution model and better efficacy helped in strong traction in FY25. The company expects traction to continue in near term. It looks to expand business in ex-US markets like Europe, Japan, India, and China.

## Key Rationale

***Higher specialty R&D spend complements specialty biz outlook***

- The entire pharma sector, along with large generic companies re-rated over the last 3-4 quarters, primarily due to limited period niche opportunities of gRevlimid/gSpiriva etc. gRevlimid was the largest-ever generic one-off or limited-period opportunity. Sun Pharma has commanded premium valuations in the past due to its shift from a generic-heavy business to a branded-specialty business in the US, and strong domestic formulations franchisee. gRevlimid narrowed the valuation gap between peers and Sun Pharma in the last few months. We believe that Sun Pharma is the only one among gRevlimid beneficiaries, whose FY27 overall earnings would not face dip even after the genericization of gRevlimid.
- R&D expenditure stood about 6-7% of sales in the last 24-26 months, on the back of doubling spend on specialty, primarily due to incremental spend on few molecules. The company seems to be getting more aggressive in its overall R&D spend, forecasting this to be at ~7-8% of revenue, mainly due to rising share of spending on specialty projects.

***Deuruxolitinib approval to strengthen specialty business***

*Continues to spend heavily on Specialty R&D; Leqselvi approval to further ramp up business*

- In Jul-2024, Sun Pharma received approval from the US FDA for its specialty drug Leqselvi (Deuruxolitinib - Janus kinase inhibitor) 8mg tablets for the treatment of adults with severe alopecia areata (PDUFA in July 2024). This would add to a fast-growing derma-focused specialty business (existing brands like Ilumya and Winlevi). Deuruxolitinib (tablet) is poised to be a competitive product, offering better efficacy at the 24-week mark with 80% more scalp hair coverage for 30% of patients, compared to existing approved brands. In contrast, Olumiant (Eli Lilly – baricitinib tablet) achieves this for 28% of patients, and Litfulo (Pfizer – ritlecitinib – capsule) for 23% of patients. Alopecia areata affects around 7mn people in the US, and 3mn have severe alopecia areata – this implies a good market opportunity for Sun Pharma.
- We expect Deuruxolitinib to see a gradual scale-up over the next 2 years. Sun Pharma has already developed its specialty infrastructure in the dermatology space, and it has started incurring costs for all pre-launch activities for Deuruxolitinib. We expect specialty scale-up (traction in Ilumya, Winlevi, Cequa, Deuruxolitinib), traction in US generics (100+ pending ANDA) and India (MR

addition, new launches) to drive growth and lead to a steady margin (as growth offsets the increasing R&D).

- Few days ago, the company also received approval from UK MHRA. Alopecia areata is a disease where the body's own immune system attacks hair follicles, causing inflammation that leads to hair loss on the scalp, face and/or other parts of the body.

***Halol Facility regulatory update***

- Sun Pharmaceutical Industries has confirmed that the US FDA has classified its Halol facility as official action indicated (OAI), following an inspection conducted between 2nd June and 13 June 2025. The designation indicates that the plant is not fully compliant with current good manufacturing practices (cGMP), raising concerns about the sterility and quality of medicines manufactured there.
- The Halol plant, a key unit for the company's US generics business, remains under an import alert. This status prevents shipments from the facility from entering the US, except for certain medicines exempted due to drug shortages.
- We note that the company has reduced its reliance on Halol facility over the last few years. Halol unit is under US FDA scanner for last many years. Earlier, the company had significant dependence on Halol unit for its US business and that has been tapered down gradually citing regulatory issues.

***Speciality Medicines***

- Specialty medicines, catering to chronic, complex, and rare diseases, are poised to become a significant component of global pharmaceutical spending, accounting for 43% of expenditure by 2028. In leading developed markets, these medicines are expected to command over 55% of total spending, reflecting a rising trend in healthcare priorities. However, in pharmerging countries, specialty medicines still constitute a smaller share (13%) of total expenditures, primarily due to cost considerations. The growth of specialty medicines emphasizes its importance in addressing specific patient needs, although they treat only a small fraction (2-3%) of the patient population.
- Company specialises in dermatology, ophthalmology, and onco-dermatology and remains dedicated to addressing critical patient needs within these therapeutic areas. Sun Pharma markets > 25 specialty products across the globe, which contributed ~18% to consolidated revenue for FY25.
- Over the years, the company has emerged as the 13th largest generics pharmaceutical company in the US and stands at no.2 by prescriptions in the US dermatology market. Company's vertically integrated manufacturing capabilities enables to efficiently serve customers in the United States.

***Recent Updates***

- In Dec-2025, Sun Pharma announced the launch of its global innovative drug, ILUMYA (Tildrakizumab) in India for moderate-to-severe plaque psoriasis. A novel biologic treatment, ILUMYA has been endorsed widely by dermatologists in the US and worldwide for several years as an effective and safe treatment of moderate to severe plaque psoriasis. ILUMYA offers a safe and effective treatment option for patients who are struggling to manage their moderate-to severe plaque psoriasis. Already available in 35 countries, ILUMYA has consistently demonstrated significant and long-lasting skin clearance, beginning soon after initiation and sustained over years.
- Plaque psoriasis is a chronic autoimmune disease that causes the cells to reproduce very quickly. It's a type of psoriasis that causes thick, scaly patches called plaques on the skin. Psoriasis is now recognised as a chronic, systemic immune-mediated disease associated with metabolic and cardiovascular comorbidities that markedly impair patients' physical, psychological and social quality of life. There is a clear unmet need for targeted therapies that deliver high, sustained skin clearance with favourable safety, minimal monitoring burden and simplified dosing to support durable disease control and improve overall quality of life for Indian patients.
- In Dec-2025, Sun Pharma Laboratories Limited, wholly-owned subsidiary of the Company approved the proposal for an investment of Rs 3,000 crore for setting up a greenfield formulations manufacturing facility in Madhya Pradesh.
- In Jan-2026, Sun Pharma announced UNLOXCY is available in the US for healthcare professionals to prescribe for adults with mCSCC or laCSCC who are not candidates for curative surgery or curative radiation. UNLOXCYT is a novel anti–PD-L1 antibody that is capable of antibody dependent cellular cytotoxicity and associated with clinically meaningful efficacy, as shown by a disease control rate of 71%.

- US FDA approved an updated label for UNLOXCYT to reflect long-term follow-up data from the pivotal CK-301-101 clinical trial. This study showed improvements in objective response rates (including more patients who achieved a complete response and duration of response.
- In Jan-2026, Sun Pharmaceutical Industries Limited announced that it has received approval from the Drugs Controller General of India (DCGI) to manufacture and market a generic version of semaglutide injection. Semaglutide, a glucagon-like peptide-1 (GLP-1) receptor agonist, is indicated for chronic weight management in adults as an adjunct to a reduced calorie diet and increased physical activity.
- Sun Pharma will launch generic semaglutide injection under the brand name, Noveltreat, after the expiry of semaglutide patent in India. The product has received approval from the DCGI following a review of a Phase III clinical trial conducted in India. It will be available in five dose strengths - 0.25 mg/0.5 mL, 0.5 mg/0.5 mL, 1 mg/0.5 mL, 1.7 mg/0.75 mL, and 2.4 mg/0.75 mL, with a maintenance dose of 2.4 mg once weekly. The product is administered via an easy-to-use prefilled pen, designed to support convenient and accurate dosing.

***Domestic Formulation Business***

*Leading player in key therapeutic areas in the DF business*

- Sun Pharma is India's largest pharmaceutical company, with 8.5% market share with strong presence chronic and semi-chronic segments in the domestic formulation (DF). Company offers a comprehensive product portfolio across various therapeutic segments, including neuropsychiatry (CNS), cardiology, Anti-diabetic, Gastroenterology, Pain/analgesics, Anti-Infective, Gynaecology, urology, dermatology, respiratory, and other segments. Company has one of the largest sales force in India, coupled with a very strong distribution and geographical reach. Sun Pharma enjoys strong brand equity among the medical fraternity. While the company continues to launch a slew of new products in India, developed through its in-house R&D efforts, also strategically positions as a preferred partner for in-licensing the latest generation of innovative products.
- Domestic Formulation sales grew 13.7% YoY at Rs 14,454cr in 9MFY26. Key therapeutic areas include CNS (19% of domestic formulation sales), Cardiology (17% of sales), Gastro (14%), Anti-Infective (9%), Pain/Analgesics and Anti-diabetic at 7% each in 9MFY26.
- Sun Pharma enjoys No.1 ranking by prescriptions in 14 different doctor categories. The company launched 12 new products during Q3FY26 and 26 products in 9MFY26.

***IPM Update***

- As per IQVIA, IPM recorded strong growth for Feb-26 at 12.4% YoY (vs. 11.5% in Jan-26); units grew by 1% YoY (1.1%% in Jan-26). Growth was led by CVS, anti-diabetic, CNS, VMN, and oncology segments, while growth in anti-infective, respiratory, dermatology, and pain grew at par or marginal below compared to IPM growth.
- Overall chronic reported a growth of ~17% YoY, and the acute segment saw ~10% growth for Feb-2026.
- Sun Pharma, Dr Reddy's, Lupin, Ipca Labs and Glenmark reported 13-14% growth each in Jan-2026 and Feb-2026.

***US FDA compliance issues galore, but no significant impact on financials***

- Sun Pharma's compliance track record with the US FDA has been far from clean, with three of its major facilities namely – Halol (import alert), Mohali (allowed gradual resumption of supplies to the US), and Dadra (official action initiated – warning letter) currently under US FDA scrutiny. However, the impact on the financials is limited, given (ex-Taro) it derives < 10% from its generic business. Dadra unit contributes the highest to overall revenue, given that gRevlimid is supplied from this facility where the OAI (Official Action Indicated) had halted only new approvals; existing supplies are expected to continue.
- In Jun-2024, Sun Pharma received a warning letter for its Dadra facility. The warning letter summarizes violations with regards to Current Good Manufacturing Practice (cGMP) regulations.
- Dadra unit had received an Official Action Indicated (OAI) in April, 2024. An OAI status is the most stringent regulatory action from the US FDA. It means that more regulatory or administrative measures are likely to be recommended for the facility, or even both.

***Global Manufacturing Base***

- With 40 manufacturing facilities spanning across 6 continents, Sun Pharma has established a leading position in the global pharmaceutical industry. The company produces a wide range of pharmaceuticals, including oncology, hormones, peptides, and steroidal drugs, while adhering to the highest quality standards. Company offers a variety of dosage forms, including orals, creams, ointments, injectable, sprays, and liquids. Sun Pharma's manufacturing facilities are certified by global regulatory agencies such as the US FDA, European Medicines Evaluation Agency (EMEA); UK Medicines and Healthcare Products Regulatory Agency (MHRA); Australia's Therapeutic Goods Administration (TGA); South Africa's Medicines Control Council (MCC); Germany's Federal Institute for Drugs and Medical Devices (BfArM); Brazilian Health Regulatory Agency (ANVISA); the World Health Organization (WHO), and South Korea's Ministry of Food and Drug Safety and Japan's Pharmaceuticals and Medical Devices Agency.

### *Acquisition of Taro Pharma*

- In June, 2024, Sun Pharma completed its acquisition of all outstanding ordinary shares of Taro Pharmaceutical Industries Limited, for a consideration of US$ 348 mn (Rs 2900cr). Sun Pharma and Taro Pharma had entered into a definitive merger agreement at agreed price of US$ 43 for Taro. Taro remains a key player in the generic Dermatology market in the US and is expected to compete effectively despite challenging environment in the US. The combined entity is expected to leverage its global strengths and capabilities to grow sustainably.

### *Key Risks*

**Trade Generics**

- Unlike generic-generic where drugs are sold as un-branded products in name of Active ingredient, Trade Generics are sold as branded products (discount to Rx Brand) but with huge Trade margins to switch over from Rx Prescriptions. This remains an important segment, which is causing disruption across segments and affecting growth of branded players. Large players include Cipla, Alkem, Sun Pharma, Zydus Life etc.
- Adverse pricing regulations by the National Pharmaceutical Pricing Authority (NPPA) in India on prices of key products could impact revenue, margin and profitability.

**Jan Aushadhi/Pradhan Mantri Bhartiya Jan-aushadhi Pariyojna (PMBJY)**

- Rollout of the Jan Aushadi Kendras is important step taken by Govt. to make sure that everyone has access to medicines at affordable price. Significant scale up of this may hurt branded players like Abbott, Sanofi, Torrent and Sun Pharma etc.
- Jan Aushadi Kendras reported sales of Rs 893cr in FY22, Rs 1236cr in FY23 and it was at Rs 1470cr in FY24 and it stood at Rs 2022 crore in FY25. Significant scale up of this may hurt branded players. Govt.'s focus has been on incrementally bringing down healthcare prices in India, mainly by pushing generic generic products through Jan Aushadhi stores, where prices are usually at 20-30% of branded products. As on Sep-2025, the government has operationalised about 17,000 Jan Aushadhi Kendras with products comprising 1,800+ lifesaving medicines and ~300 surgical, nutraceuticals and medical devices, at 60-80% cheaper than the branded ones. The government has decided to increase the number of Jan Aushadhi Kendras opened to 25,000 by March, 2027.
- Elevated price erosion in the US generic business could hurt the performance though pricing pressure has moderated. Also Incremental competition in existing key products in US business may impact growth.
- Inclusion in NLEM: At present, ~12-15% of the domestic revenue is under NLEM. In case, sales could be impacted if additional products were to be included. Adverse pricing regulations by the National Pharmaceutical Pricing Authority (NPPA) in India on prices of key products could impact revenue and margin. Slowdown in IPM growth and delay in new launches could affect earnings. However, we note that the company has reported strong growth in the domestic market in the past few years.
- Delay in approvals/launches or surprise competition in niche products may lead to lower growth in the US business.
- Any adverse action upon inspection of its US dedicated facilities could hinder revenues growth. Company's Halol and Mohali facilities are already under FDA scanner. It has slowly reduced dependency on Halol plant for US business.

## Financial Statements

### Income Statement

| Particulars (Rs Cr) | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Net Revenue** | 48497 | 52578 | 58847 | 65048 | 69967 |
| *Growth (%)* | | *9* | *12.2* | *10.3* | *7.6* |
| Operating Expenses | 24847 | 26745 | 29706 | 33012 | 35410 |
| **EBITDA** | 12987 | 15086 | 17272 | 18714 | 20451 |
| *Growth (%)* | | *16.2* | *14.5* | *8.4* | *9.3* |
| ***EBITDA Margin (%)*** | ***26.8*** | ***28.7*** | ***29.4*** | ***28.8*** | ***29.2*** |
| Depreciation | 2557 | 2575 | 2874 | 2953 | 3047 |
| Other Income | 1354 | 1965 | 2293 | 2350 | 2502 |
| **EBIT** | **10430** | **12511** | **14397** | **15761** | **17404** |
| Interest expenses | 238 | 231 | 313 | 175 | 144 |
| PBT | 11088 | 13752 | 14989 | 17936 | 19763 |
| Tax | 1439 | 2772 | 3158 | 3677 | 4008 |
| PAT | **9576** | **10929** | **11798** | **14152** | **15651** |
| Share of Asso./Minority Int. | -5 | 21 | 12 | 18 | 9 |
| **Adj. PAT** | **9831** | **11799** | **12792** | **14152** | **15651** |
| *Growth (%)* | | *20* | *8.4* | *10.6* | *10.5* |
| EPS | 41.0 | 49.2 | 53.3 | 59.0 | 65.2 |

### Balance Sheet

| Particulars (Rs Cr) - As at March | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **SOURCE OF FUNDS** | | | | | |
| Share Capital | 239.9 | 239.9 | 239.9 | 239.9 | 239.9 |
| Reserves | 63427 | 71978 | 80247 | 90051 | 100563 |
| **Shareholders' Funds** | **67106** | **72486** | **80777** | **90624** | **101191** |
| Borrowing | 3274 | 2362 | 1817 | 1192 | 939 |
| Other non-current liabilities | 1067 | 1330 | 1367 | 1421 | 1467 |
| **Total liabilities** | **85463** | **92101** | **101405** | **112474** | **124258** |
| Gross fixed assets | 35685 | 37295 | 39576 | 41427 | 43728 |
| Less: Depreciation | 21072 | 23648 | 26523 | 29476 | 32523 |
| Net fixed assets | 14612 | 13647 | 13053 | 11951 | 11205 |
| Capital WIP | 5354 | 6644 | 6610 | 6610 | 6610 |
| Total fixed assets | 19966 | 20291 | 19662 | 18560 | 17814 |
| Total Investment | 15026 | 18354 | 18354 | 18354 | 18354 |
| Inventory | 9868 | 10243 | 11606 | 12829 | 13799 |
| Debtors | 11249 | 13046 | 14875 | 16443 | 17686 |
| **Cash & bank balances** | **10521** | **11332** | **16720** | **24635** | **33446** |
| Loans & advances | 66 | 51 | 74 | 81 | 87 |
| Current liabilities | 14017 | 15922 | 17444 | 19237 | 20661 |
| **Total current assets** | **34891** | **38971** | **48072** | **59287** | **70716** |
| Net current assets | 20875 | 23049 | 30628 | 40050 | 50056 |
| Other non-current assets | 6981 | 5545 | 6377 | 7334 | 8434 |
| **Total assets** | **85463** | **92101** | **101405** | **112474** | **124258** |

## Cash Flow Statement

| Particulars (Rs Cr) | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Profit before tax | 11088 | 13752 | 14989 | 17936 | 19763 |
| Depreciation & Amortisation | -2557 | -2575 | -2874 | -2953 | -3047 |
| Chg in working capital | 1062 | -324 | -3631 | -3783 | -3341 |
| **CF from operations** | **12135** | **14072** | **9769** | **11953** | **13855** |
| Capital expenditure | -2345 | -2401 | -2281 | -1851 | -2301 |
| **CF from investing** | **-690** | **-5306** | **-2315** | **-1851** | **-2301** |
| Debt raised/ (repaid) | -3533 | -982 | -545 | -625 | -253 |
| Dividend paid | -2898 | -3614 | -3539 | -4359 | -5149 |
| **CF from financing** | **-6710** | **-7906** | **-4397** | **-5159** | **-5546** |
| Net change in cash | 4735 | 860 | 3057 | 4943 | 6008 |

## Key Ratios

| Particulars | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **OPERATIONAL** | | | | | |
| FDEPS (Rs) | 41.0 | 49.2 | 53.3 | 59.0 | 65.2 |
| CEPS (Rs) | 50.6 | 56.3 | 61.2 | 71.3 | 77.9 |
| DPS (Rs) | 12.1 | 15.1 | 14.8 | 18.2 | 21.5 |
| Dividend payout ratio (%) | 30.3 | 33.1 | 30.0 | 30.8 | 32.9 |
| **GROWTH (%)** | | | | | |
| Net sales | 10.4 | 9.0 | 12.2 | 10.3 | 7.6 |
| EBITDA | 10.3 | 16.2 | 14.5 | 8.4 | 9.3 |
| Adj net profit | 14.2 | 20.0 | 8.4 | 10.6 | 10.6 |
| **PERFORMANCE (%)** | | | | | |
| RoE | 16.4 | 17.4 | 16.8 | 16.6 | 16.4 |
| RoCE | 17.0 | 19.6 | 20.8 | 20.4 | 20.2 |
| **EFFICIENCY** | | | | | |
| Asset turnover (x) | 1.4 | 1.4 | 1.5 | 1.6 | 1.6 |
| Sales/ total assets (x) | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Working capital/ sales (x) | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Receivable days | 86 | 92 | 93 | 93 | 93 |
| Inventory days | 101 | 100 | 102 | 101 | 102 |
| Payable days | 58 | 60 | 62 | 61 | 62 |
| **Valuation (x)** | | | | | |
| P/E | 43.9 | 36.5 | 33.7 | 30.5 | 27.5 |
| EV/EBITDA | 32.2 | 27.1 | 23.3 | 21.1 | 18.8 |
| P/B | 6.8 | 6.0 | 5.4 | 4.8 | 4.3 |

(Source: Company, HDFC sec)

Kushal Mahendra Rughani

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**HDFC Sec Prime Research Rating description**

**Green Rating stocks**

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

**Yellow Rating stocks**

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

**Red Rating stocks**

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.