# Sun Pharmaceutical Industries

## Organon M&A provides scale; growth revival key

**Sun Pharma has entered into a definitive agreement to acquire Organon & Co (Organon) in an all-cash transaction deal (all outstanding shares). The deal values Organon at an enterprise valuation of USD 11.75 bn (CY25: EV/sales at 2x and EV/EBITDA at 6x); the transaction is expected to complete in early CY27 (Sun Pharma subsidiary to merge with Organon, which will de-list from NYSE). While Sun Pharma's acquisition of Organon will provide scale (sales/EBITDA/margin of USD 6.2 bn/USD 1.9 bn/~30%), growth revival in established brands, cross leverage of Sun's branded generic business, and sustaining growth in Innovative Medicine business with focus on cross-selling and in-licensing remain key. We note the Organon acquisition (1) will be sales/EBITDA/PAT accretive by 80%/82%/27% in FY28, (2) will dilute gross margin by ~960 bps, (3) will increase EBITDA margin by 10 bps in FY28, and (4) will turn Sun Pharma from net cash company (USD 3.2 bn as of Dec-25) to a net debt company of ~USD 8 bn; net debt to EBITDA at ~2x (vs. -1.8x) in FY28E. We will factor in Organon after deal closure. We roll forward our TP to INR 2,030 (31x FY28E EPS; implies 21x EV/EBITDA). Maintain BUY.**

**Key rationales:** We believe the Organon acquisition will (1) expand Sun Pharma's Innovative Medicine portfolio (share to increase to 27% vs 19% in FY26E) with entry into Women's Health (USD 1.75 bn sales; brands like Nexplanon), diversifying its portfolio beyond derma and opthal; (2) provide access to biosimilar business (USD 691 mn, products includes Adalimumab, Denosumab, and Bevacizumab); (3) strengthen presence in China with established brands/generics/biosimilar portfolio; (4) create cross-selling opportunities in Innovative medicines; (5) help leverage technology platform for product development; and (6) lead to cost synergies of over USD 350mn in 2-4 years.

**Near-term challenges:** We see growth trend for combined entity falling to mid-single digit from 10-12% for Sun Pharma alone – this is a major near-term overhang. We note: (1) integration of two large businesses (given Organon comes with over 10,000 employees and operations in 140+ countries), (2) growth challenges in Organon's established brands/generic portfolio, (3) scale-up in competitive biosimilar business, (4) growth revival in Woman Health portfolio, and (5) servicing of USD 8.5bn debt.

**Transaction overview:** Sun Pharma to acquire 100% of Organon's shares at a price of USD 14/ share in cash – total equity value of ~USD 3.99 bn (Sun to finance USD 2-2.5bn through internal accruals and USD 1.5-2 bn through debt). Also, Organon's debt of ~USD 8.6bn (cash at USD 574 mn in CY25) leads to EV of USD 11.75 bn and reflects EV/sales of 1.9x and EV/EBITDA of 6.2x. An overseas wholly owned subsidiary of Sun Pharma will merge into Organon and subsequently delist from the NYSE. The acquisition is expected to close in early 2027.

**Con call key highlights:** Sun Pharma will initially focus on integrating the two businesses. Innovative Medicine business could be the key driver with focus on synergies, expansion in market, and commercial/government insurance channel coverage. Debt restructuring with better rates and strong FCF generation from both the companies will help reduce debt over the next few years. The company expects Organon to be margin and EPS accretive from the first year onwards.

### Financial Summary

| YE March (INR bn) | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|---|
| US sales (USD mn) | 1,526 | 1,684 | 1,854 | 1,921 | 1,925 | 2,134 | 2,357 |
| Net Sales | 387 | 439 | 485 | 526 | 585 | 648 | 715 |
| EBITDA | 102 | 118 | 130 | 151 | 171 | 191 | 215 |
| APAT | 76 | 86 | 98 | 118 | 116 | 138 | 157 |
| Diluted EPS (INR) | 31.7 | 35.9 | 41.0 | 49.2 | 48.5 | 57.5 | 65.5 |
| P/E (x) | 54.7 | 48.3 | 42.3 | 35.3 | 35.8 | 30.2 | 26.5 |
| EV / EBITDA (x) | 39.8 | 34.9 | 31.1 | 26.1 | 23.0 | 20.3 | 17.5 |
| RoCE (%) | 17 | 16 | 17 | 20 | 20 | 20 | 21 |

Source: Company, HSIE Research, Note: EBITDA and PAT adjusted for one-offs

## BUY

| | |
|---|---|
| CMP *(as on 27 Apr 2026)* | INR 1,734 |
| Target Price | INR 2,030 |
| NIFTY | 24,093 |

| KEY CHANGES | OLD | NEW |
|---|---|---|
| Rating | BUY | BUY |
| Price Target | INR 2,000 | INR 2,030 |
| EPS % | FY26E | FY27E |
| | 0.4 | (0.0) |

| KEY STOCK DATA | |
|---|---|
| Bloomberg code | SUNP IN |
| No. of Shares (mn) | 2,399 |
| MCap (INR bn) / ($ mn) | 4,159/44,155 |
| 6m avg traded value (INR mn) | 4,458 |
| 52 Week high / low | INR 1,851/1,547 |

| STOCK PERFORMANCE (%) | 3M | 6M | 12M |
|---|---|---|---|
| Absolute (%) | 6.1 | 2.5 | (0.8) |
| Relative (%) | 12.2 | 11.0 | 2.1 |

| SHAREHOLDING PATTERN (%) | Mar-25 | Jun-25 |
|---|---|---|
| Promoters | 54.48 | 54.48 |
| FIs & Local MFs | 18.58 | 19.38 |
| FPIs | 17.96 | 17.26 |
| Public & Others | 8.98 | 8.88 |
| Pledged Shares | 0.88 | 0.88 |

*Source : BSE*

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**Con call highlights**:

- Sun Pharma expects Organon acquisition to initially scale this business from USD 6.2 bn sales and having the potential to turn around the business from a single-digit declining business to a double-digit growth story.
- Looking for licensing opportunities in innovative medicines business, which will help grow this business in emerging markets.
- Going ahead, in-licensing will be a big part of the strategy for the innovative medicine portfolio for the combined entity.
- Sun Pharma is looking to accelerate growth of Organon in branded generics, in therapies like cardio, derma, bone health, and opthal.
- India opportunity for established brands of Organon.
- Commercial platform of Organon, helps in in-licensing opportunities of future biosimilar products.
- Organon debt interest cost is ~6%; Sun Pharma expects that post transaction, debt will be refinanced at a better rate by leveraging better credit rating of Sun Pharma to the tune of 5-5.5%. Looking to work with lenders to swap the debt bonds and financing opportunity with banks.
- Negligible overlap between Sun and Organon, where Sun might have to divest a few products. Organon has already divested one overlapping product.
- 4,000 field force for Organon with 10,000 employees, spread globally.

### Exhibit 1: Organon revenue mix

| Organon revenue mix USD mn | CY21 | CY22 | CY23 | CY24 | CY25 | CAGR CY21-25E) | YoY growth % |
|---|---|---|---|---|---|---|---|
| Women's Health | 1,612 | 1,673 | 1,702 | 1,777 | 1,752 | 2% | -1% |
| % YoY growth | 4% | 4% | 2% | 4% | -1% | | |
| % of sales | 26% | 27% | 27% | 28% | 28% | | |
| | | | | | | | |
| Biosimilars | 424 | 481 | 593 | 662 | 691 | 13% | 4% |
| % YoY growth | 28% | 13% | 23% | 12% | 4% | | |
| % of sales | 7% | 8% | 9% | 10% | 11% | | |
| | | | | | | | |
| Established Brands | 4,068 | 3,874 | 3,847 | 3,849 | 3,691 | -2% | -4% |
| % YoY growth | -10% | -5% | -1% | 0% | -4% | | |
| % of sales | 65% | 63% | 61% | 60% | 59% | | |
| | | | | | | | |
| Others | 200 | 146 | 121 | 115 | 82 | -20% | -29% |
| % YoY growth | 87% | -27% | -17% | -5% | -29% | | |
| % of sales | 3% | 2% | 2% | 2% | 1% | | |
| | | | | | | | |
| **Total revenues** | **6,304** | **6,174** | **6,263** | **6,403** | **6,216** | **0%** | **-3%** |

Source: Company, HSIE Research

### Exhibit 2: Organon has a strong portfolio of Innovative Medicines, Established Brands and Biosimilars


Source: Company, HSIE Research

### Exhibit 3: Organon key business segment and products

| Category | Brands | Comments |
|---|---|---|
| **Women's Health Portfolio** | | |
| Contraception | Nexplanon | Prescription medication for the prevention of pregnancy in women. It consists of a small, thin and flexible arm implant. The product was indicated for a period of up to three years of use (at which point the implant needed to be removed). In Jan-26, the company's application for a five-year duration-of-use indication was approved by the USFDA. As a result, Organon could receive an additional three years of clinical investigation exclusivity for Nexplanon in the US for the five-year indication. |
| | NuvaRing | A monthly vaginal contraceptive ring with a combination of progestin and estrogen used to prevent pregnancy in women. |
| | Cerazette (desogestrel) | A progestin-only, daily pill used to prevent pregnancy in women. It is used by women who want hormonal contraception but for whom estrogen-containing contraceptives may not be medically appropriate. Cerazette is not approved or marketed in the US. |
| | Marvelon/ Mercilon (desogestrel and ethinyl estradiol pill) | Combinations used as daily pills to prevent pregnancy. Mercilon is being evaluated for treatment of dysmenorrhea (lower abdominal pain immediately prior to or during menstruation), a regulatory submission for the same indication in Japan (in Jul-25) and the company expects approval in Jun-26. |
| Fertility | Follistim AQ in US and Puregon (ex-US markets) | Contains human follicle-stimulating hormone ("FSH") and is used to promote the development of multiple ovarian follicles in MAR procedures such procedures include IVF. |
| | Elonva (not available in US) | A sustained follicle stimulant with the same mechanism of action as recombinant FSH. |
| | Ganirelix acetate injection (Orgalutran in ex-US markets) | An injectable GnRH antagonist used to prevent luteinizing hormone surges. Ganirelix acetate injection is used in fertility treatments in combination with FSH. |
| Bacterial Vaginosis | Xaciato (clindamycin phosphate) | A vaginal gel is an USFDA-approved medication for the treatment of BV in females 12 years of age and older, which is licensed through an agreement with Daré Biosciences. Organon plans to assess opportunities to seek potential further marketing authorizations for countries outside the US. |
| **Established Brands** | | |
| Cardiovascular | Zetia (ezetimibe)/ Vytorin (ezetimibe / simvastatin)/ Rosuzet (ezetimibe and rosuvastatin)/ Zocor (simvastatin)/ Cozaar (losartan) | In CY25, cardiovascular portfolio accounted for USD 1.1 bn (~18% of total revenues). Cardiovascular portfolio consists of several cholesterol-modifying medicines. |
| Respiratory | Singulair (montelukast sodium)/ Dulera® (formoterol/fumarate dihydrate)/ Asmanex (mometasone furoate)/ Nasonex (mometasone) | In CY25 respiratory portfolio accounted for USD 842 mn (~14% of total revenues). Respiratory portfolio is comprised of several treatments used to control and prevent asthma-induced symptoms. |

| Category | Brands | Comments |
|---|---|---|
| Dermatology, Bone Health and Non-Opioid Pain Management | Multiple brands | Portfolios accounted for USD 987 mn (~16% of total revenues). Vtama a topical treatment for mild, moderate and severe plaque psoriasis in adults and atopic dermatitis. Fosamax (alendronate sodium), a bisphosphonate medicine used for the treatment and prevention of osteoporosis. Arcoxia (etoricoxib), a selective cyclooxygenase-2 inhibitor used for acute and chronic treatment of conditions such as acute pain, osteoarthritis and rheumatoid arthritis. |
| **Biosimilars** | | |
| Adalimumab | Hadlima | Partnered with Samsung Bioepis and launched in US, Australia, Canada, Puerto Rico, Brazil and Saudi Arabia. In Jul-25, USFDA has approved interchangeability designations. |
| Etanercept | Brenzys | Commercialized in Australia, Canada, Brazil and Israel. |
| Infliximab-abda | Renflexis | Commercialized in the US, Puerto Rico, Australia, Canada and Brazil |
| Tocilizumab-bavi | Tofidence | Acquired certain rights related to Tofidence in the US, including Puerto Rico. |
| Bevacizumab | Aybintio | Commercialization rights to Aybintio in the US, Canada, Germany, Italy, France, the UK and Spain. |
| Trastuzumab-dttb | Ontruzant | Marketed in the US (including Puerto Rico), Canada, EU, Ukraine and Brazil. |
| Denosumab-nxxp | Bildyos | Worldwide commercialization rights except for China |
| Pertuzumab-dpzb | Poherdy | Worldwide commercialization rights except for China. In accordance with a settlement and license agreement with Genentech, the US launch will be in late 2028. |

Source: Company, HSIE Research

## Exhibit 4: Key brand performance

| Organon key brands sales USD mn | CY21 | CY22 | CY23 | CY24 | CY25 | CAGR CY21-25E) | YoY growth % |
|---|---|---|---|---|---|---|---|
| Nexplanon/Implanon NXT | | | | | | | |
| US | 532 | 573 | 572 | 672 | 610 | 3% | -9% |
| Non-US | 237 | 261 | 257 | 291 | 311 | 7% | 7% |
| **Total sales** | **769** | **834** | **829** | **963** | **921** | **5%** | **-4%** |
| % of total revenue | 12% | 14% | 13% | 15% | 15% | | |
| Follistim AQ | | | | | | | |
| US | 110 | 105 | 125 | 84 | 112 | 0% | 33% |
| Non-US | 127 | 124 | 136 | 152 | 152 | 5% | 0% |
| **Total sales** | **237** | **229** | **261** | **236** | **264** | **3%** | **12%** |
| % of total revenue | 4% | 4% | 4% | 4% | 4% | | |
| NuvaRing | | | | | | | |
| US | 85 | 131 | 90 | 39 | 19 | -31% | -51% |
| Non-US | 106 | 88 | 86 | 75 | 72 | -9% | -4% |
| **Total sales** | **191** | **219** | **176** | **114** | **91** | **-17%** | **-20%** |
| % of total revenue | 3% | 4% | 3% | 2% | 1% | | |
| Ganirelix Acetate Injection | | | | | | | |
| US | 22 | 26 | 19 | 20 | 12 | -14% | -40% |
| Non-US | 88 | 97 | 91 | 89 | 89 | 0% | 0% |
| **Total sales** | **110** | **123** | **110** | **109** | **101** | **-2%** | **-7%** |
| % of total revenue | 2% | 2% | 2% | 2% | 2% | | |
| Marvelon/Mercilon | | | | | | | |
| US | - | - | - | - | - | 0% | NA |
| Non-US | 98 | 110 | 134 | 134 | 127 | 7% | -5% |
| **Total sales** | **98** | **110** | **134** | **134** | **127** | **7%** | **-5%** |
| % of total revenue | 2% | 2% | 2% | 2% | 2% | | |
| Renflexis | | | | | | | |
| US | 164 | 196 | 234 | 219 | 183 | 3% | -16% |
| Non-US | 21 | 30 | 43 | 55 | 69 | 35% | 25% |
| **Total sales** | **185** | **226** | **277** | **274** | **252** | **8%** | **-8%** |
| % of total revenue | 3% | 4% | 4% | 4% | 4% | | |
| Ontruzant | | | | | | | |
| US | 34 | 48 | 46 | 29 | 15 | -19% | -48% |

| Organon key brands sales USD mn | CY21 | CY22 | CY23 | CY24 | CY25 | CAGR CY21-25E) | YoY growth % |
|---|---|---|---|---|---|---|---|
| Non-US | 92 | 74 | 109 | 112 | 84 | -2% | -25% |
| Total sales | **126** | **122** | **155** | **141** | **99** | **-6%** | **-30%** |
| % of total revenue | 2% | 2% | 2% | 2% | 2% | | |
| Brenzys | | | | | | | |
| US | - | - | - | - | - | 0% | NA |
| Non-US | 63 | 75 | 73 | 77 | 80 | 6% | 4% |
| **Total sales** | **63** | **75** | **73** | **77** | **80** | **6%** | **4%** |
| % of total revenue | 1% | 1% | 1% | 1% | 1% | | |
| Hadlima | | | | | | | |
| US | - | - | 17 | 104 | 166 | NA | 60% |
| Non-US | 13 | 19 | 26 | 38 | 62 | 48% | 63% |
| Total sales | **13** | **19** | **43** | **142** | **228** | **105%** | **61%** |
| % of total revenue | 0% | 0% | 1% | 2% | 4% | | |
| Zetia | | | | | | | |
| US | 10 | 8 | 8 | 7 | 5 | -16% | -29% |
| Non-US | 368 | 363 | 314 | 310 | 337 | -2% | 9% |
| **Total sales** | **378** | **371** | **322** | **317** | **342** | **-2%** | **8%** |
| % of total revenue | 6% | 6% | 5% | 5% | 6% | | |
| Singulair | | | | | | | |
| US | 15 | 11 | 11 | 9 | 8 | -15% | -11% |
| Non-US | 398 | 400 | 404 | 350 | 244 | -12% | -30% |
| **Total sales** | **413** | **411** | **415** | **359** | **252** | **-12%** | **-30%** |
| % of total revenue | 7% | 7% | 7% | 6% | 4% | | |
| Dulera | | | | | | | |
| US | 154 | 140 | 156 | 162 | 113 | -7% | -30% |
| Non-US | 36 | 40 | 38 | 42 | 39 | 2% | -7% |
| **Total sales** | **190** | **180** | **194** | **204** | **152** | **-5%** | **-25%** |
| % of total revenue | 3% | 3% | 3% | 3% | 2% | | |
| Arcoxia | | | | | | | |
| US | - | - | - | - | - | 0% | NA |
| Non-US | 244 | 241 | 257 | 270 | 265 | 2% | -2% |
| **Total sales** | **244** | **241** | **257** | **270** | **265** | **2%** | **-2%** |
| % of total revenue | 4% | 4% | 4% | 4% | 4% | | |
| Emgality/Rayvow | | | | | | | |
| US | - | - | - | - | - | 0% | NA |
| Non-US | - | - | - | 107 | 174 | NA | 63% |
| **Total sales** | **-** | **-** | **-** | **107** | **174** | **NA** | **63%** |
| % of total revenue | 0% | 0% | 0% | 2% | 3% | | |

Source: Company, HSIE Research

## Exhibit 5: Organon: Manufacturing infrastructure

| Manufacturing Site | Details |
|---|---|
| Campinas, Brazil | Women's health, cardiovascular and respiratory |
| Cramlington, UK | Cardiovascular and respiratory |
| Heist, Belgium | Respiratory, dermatology and pain |
| Oss, Netherlands | Women's health |
| Pandaan, Indonesia | Cardiovascular, respiratory and dermatology |
| Xochimilco, Mexico | Cardiovascular and respiratory |

Source: Company, HSIE Research

### Exhibit 6: Organon: Key financial performance

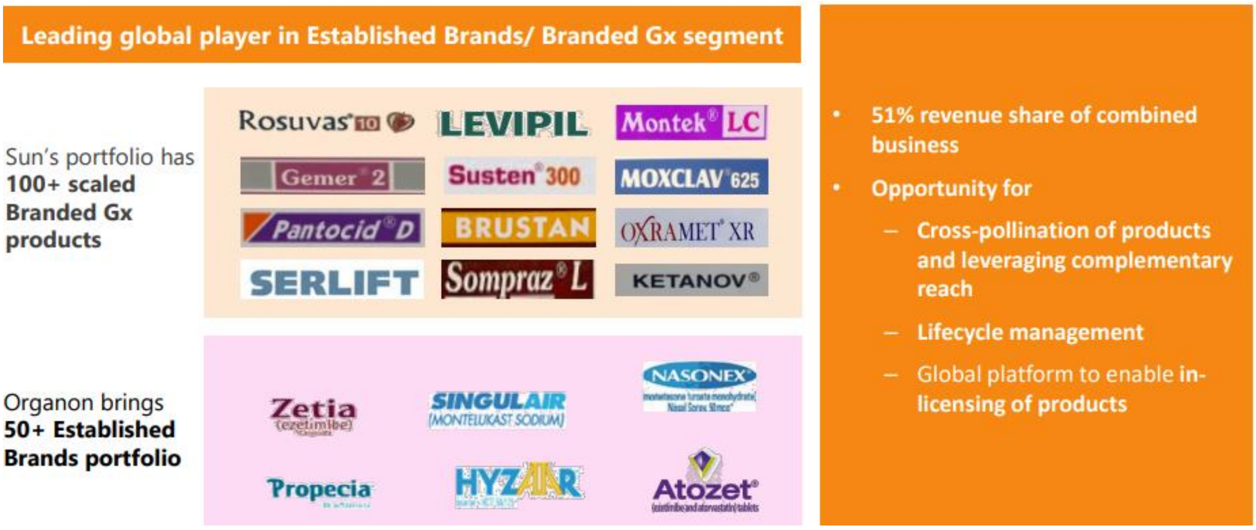
| Organon financials (USD mn) | CY21 | CY22 | CY23 | CY24 | CY25 | CAGR CY21-25E) | YoY growth % |
|---|---|---|---|---|---|---|---|
| Sales | 6,304 | 6,174 | 6,263 | 6,403 | 6,216 | 0% | -3% |
| | | | | | | | |
| Reported Gross profit | 3,922 | 3,880 | 3,748 | 3,715 | 3,313 | -4% | -11% |
| Gross margin % | 62.2% | 62.8% | 59.8% | 58.0% | 53.3% | -892 bps | -472 bps |
| | | | | | | | |
| Reported EBITDA | 2,110 | 1,917 | 1,563 | 1,763 | 1,587 | -7% | -10% |
| EBITDA margin % | 33.5% | 31.0% | 25.0% | 27.5% | 25.5% | -794 bps | -200 bps |
| | | | | | | | |
| Reported PAT | 1,351 | 917 | 1,023 | 864 | 187 | -39% | -78% |
| PAT margin % | 21.4% | 14.9% | 16.3% | 13.5% | 3.0% | -1842 bps | -1049 bps |
| | | | | | | | |
| Non-GAAP adjusted performance | | | | | | | |
| Adj Gross profit | 4,081 | 4,058 | 3,930 | 3,944 | 3,737 | -2% | -5% |
| Gross margin % | 64.7% | 65.7% | 62.7% | 61.6% | 60.1% | -462 bps | -148 bps |
| | | | | | | | |
| Adj EBITDA | 2,275 | 2,085 | 1,944 | 1,958 | 1,907 | -4% | -3% |
| EBITDA margin % | 36.1% | 33.8% | 31.0% | 30.6% | 30.7% | -541 bps | 10 bps |
| | | | | | | | |
| Adj PAT | 1,577 | 1,284 | 1,061 | 1,065 | 954 | -12% | -10% |
| PAT margin % | 25.0% | 20.8% | 16.9% | 16.6% | 15.3% | -967 bps | -129 bps |
| **Key Balance sheet items** | | | | | | | |
| **Total cash and equivalents** | **737** | **706** | **693** | **675** | **574** | | |
| Trade receivable | 1,382 | 1,475 | 1,744 | 1,358 | 1,331 | | |
| Inventories | 726 | 747 | 1,315 | 1,321 | 1,406 | | |
| Property, plant and equipment | 973 | 1,018 | 1,183 | 1,168 | 1,303 | | |
| Intangibles | 651 | 649 | 533 | 1,414 | 1,130 | | |
| Goodwill | 4,603 | 4,603 | 4,603 | 4,680 | 4,153 | | |
| **Total assets** | **10,681** | **10,955** | **12,058** | **13,101** | **12,867** | | |
| | | | | | | | |
| Current maturities of long-term debt | 9 | 8 | 9 | 20 | 16 | | |
| Long-term debt, net of current maturities | 9,125 | 8,905 | 8,751 | 8,860 | 8,628 | | |
| **Total debt** | **9,134** | **8,913** | **8,760** | **8,880** | **8,644** | | |
| Trade payables | 1,382 | 1,132 | 1,314 | 1,153 | 952 | | |
| Other current liabilities | 1,021 | 1,188 | 1,389 | 1,411 | 1,337 | | |
| **Total liabilities and equity** | **10,681** | **10,955** | **12,058** | **13,101** | **12,867** | | |
| | | | | | | | |
| **Net debt/ (cash)** | **8,397** | **8,207** | **8,067** | **8,205** | **8,070** | | |
| | | | | | | | |
| OCF | 2,160 | 858 | 799 | 939 | 700 | | |
| **FCF** | **1,776** | **538** | **546** | **659** | **414** | | |

Source: Company, HSIE Research

### Exhibit 7: Innovative Medicines: Organon to strengthens Sun's presence with Women's Health as a new pillar

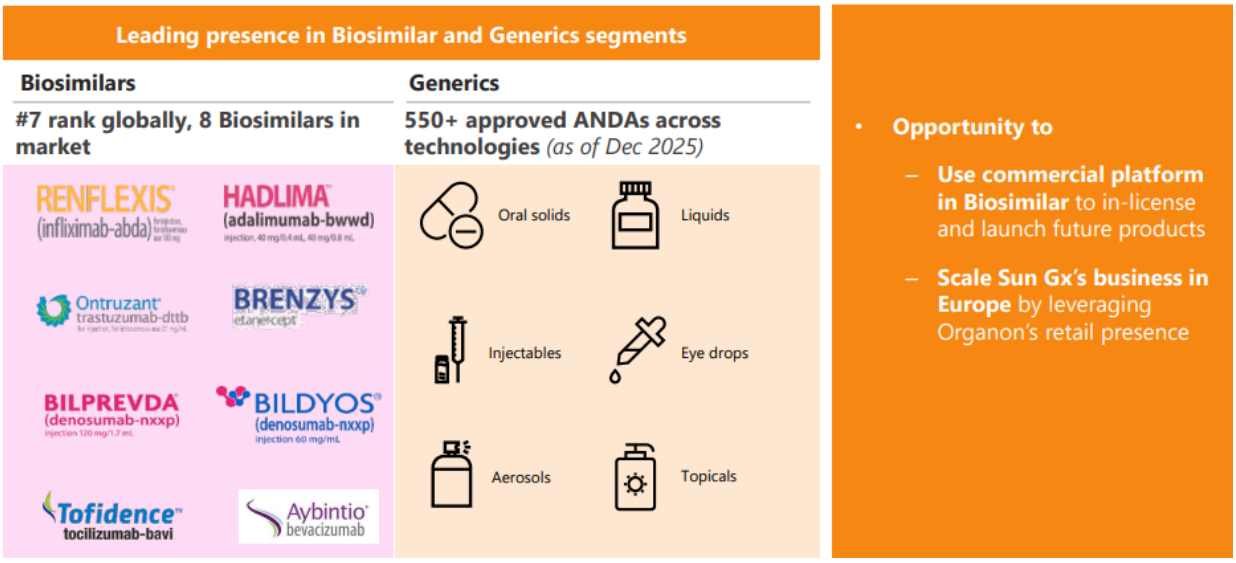

Source: Company, HSIE Research

### Exhibit 8: Established Brands: Opportunity to use Sun's BGx playbook to rejuvenate EP portfolio



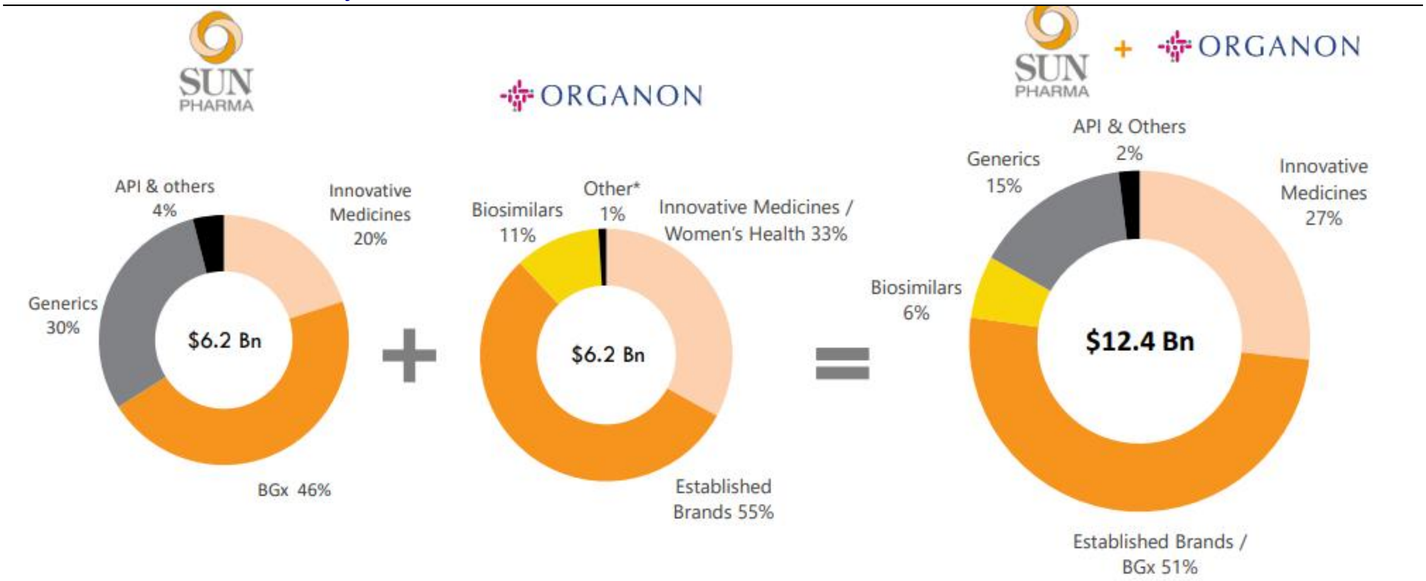

Source: Company, HSIE Research

### Exhibit 9: Generics and Biosimilars: Adds Biosimilar as a new platform; unlocks new channels for Gx portfolio



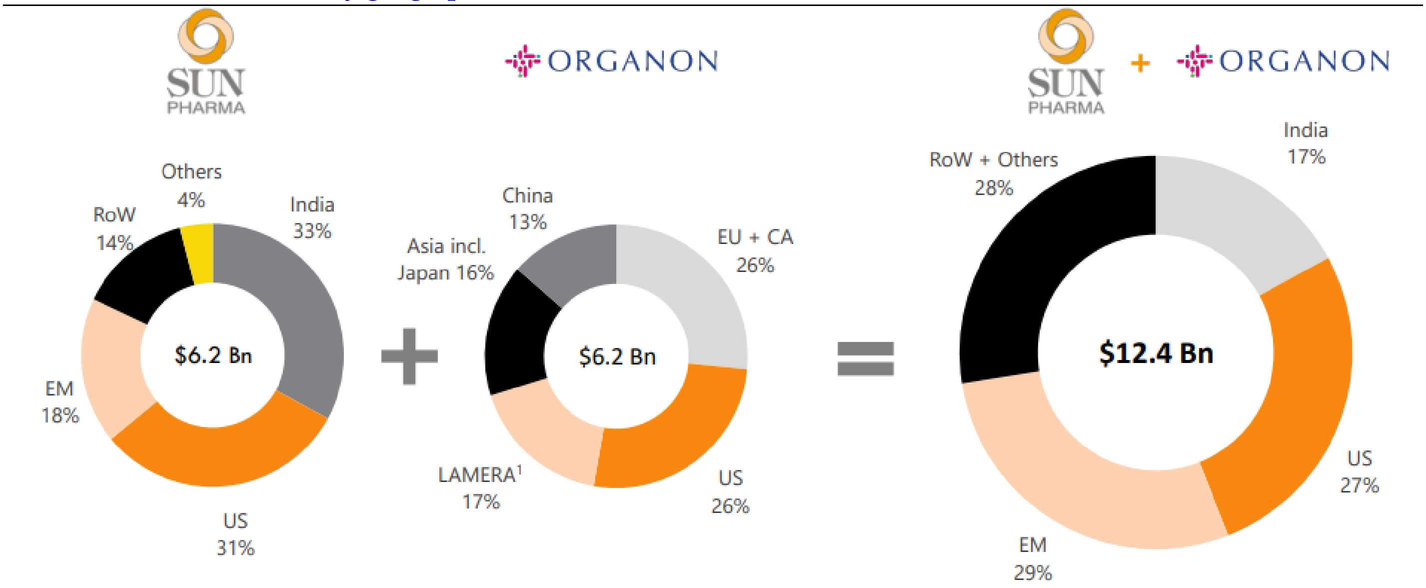

Source: Company, HSIE Research

## Exhibit 10: Combined entity revenue mix




Source: Company, HSIE Research

## Exhibit 11: Combined entity geographical mix




Source: Company, HSIE Research

### Exhibit 12: Organon acquisition to be EPS accretive from Year 1

| INR mn | FY28E |
|---|---|
| **Sales** | |
| Sun Pharma | 715,375 |
| Organon | 579,437 |
| **Sun + Organon** | **1,294,812** |
| **% impact** | **81%** |
| **Gross profit** | |
| Sun Pharma | 576,592 |
| Organon | 342,854 |
| **Sun + Organon** | **919,446** |
| **% impact** | **59%** |
| **Gross margin %** | |
| Sun Pharma | 80.6% |
| Organon | 59.2% |
| **Sun + Organon** | **71.0%** |
| **% impact** | **-959 bps** |
| **EBITDA** | |
| Sun Pharma | 215,328 |
| Organon | 175,835 |
| **Sun + Organon** | **391,163** |
| **% impact** | **82%** |
| **EBITDA margin %** | |
| Sun Pharma | 30.1% |
| Organon | 30.3% |
| **Sun + Organon** | **30.2%** |
| **% impact** | **11 bps** |
| **PAT** | |
| Sun Pharma | 157,087 |
| Organon | 42,046 |
| **Sun + Organon** | **199,134** |
| **% impact** | **27%** |
| **Net debt/ (cash)** | |
| Sun Pharma | -389,228 |
| Organon | 1,138,311 |
| **Sun + Organon** | **749,084** |
| **Net debt to EBITDA (x)** | |
| Sun Pharma | (1.8) |
| Organon | 6.5 |
| **Sun + Organon** | **1.9** |

Source: Company, HSIE Research

## Exhibit 13: Sun Pharma: Revenues, EBITDA, and PAT assumptions

| (INR mn) | % of FY25 sales | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|---|
| India | 33 | 103,432 | 127,593 | 136,031 | 148,893 | 169,230 | 192,922 | 220,410 | 250,626 |
| % growth | | 7% | 23% | 7% | 9% | 14% | 14% | 14% | 14% |
| US (USD mn) | | 1,359 | 1,526 | 1,684 | 1,854 | 1,921 | 1,925 | 2,134 | 2,357 |
| % growth | | -9% | 12% | 10% | 10% | 4% | 0% | 11% | 10% |
| Taro (USD mn) | | 384 | 377 | 363 | 391 | 369 | 351 | 350 | 348 |
| % growth | | -23% | -2% | -4% | 8% | -6% | -5% | -1% | 0% |
| Innovative medicines (USD mn)* | | 442 | 595 | 738 | 900 | 1,003 | 1,146 | 1,324 | 1,515 |
| % growth | | 10% | 35% | 24% | 22% | 11% | 14% | 15% | 14% |
| Generics ex-Taro/ Innovative (USD mn) | | 533 | 555 | 583 | 563 | 549 | 427 | 461 | 493 |
| % growth | | -9% | 4% | 5% | -4% | -2% | -22% | 8% | 7% |
| US | 31 | 100,921 | 113,737 | 135,353 | 153,493 | 162,403 | 170,804 | 196,315 | 216,810 |
| % growth | | (4) | 13 | 19 | 13 | 6 | 5 | 15 | 10 |
| Specialty business (USD mn) | | 475 | 673 | 871 | 1,039 | 1,216 | 1,412 | 1,587 | 1,844 |
| % growth | | 11 | 42 | 29 | 19 | 17 | 16 | 12 | 16 |
| Exports (ex-US) | 32 | 106,796 | 121,976 | 139,402 | 153,323 | 165,786 | 197,062 | 206,335 | 221,967 |
| % growth | | 7 | 14 | 14 | 10 | 8 | 19 | 5 | 8 |
| Emerging markets | 18 | 57,840 | 67,432 | 78,977 | 86,195 | 94,160 | 112,050 | 118,773 | 128,275 |
| % growth | | 5 | 17 | 17 | 9 | 9 | 19 | 6 | 8 |
| RoW | 14 | 48,956 | 54,545 | 60,426 | 67,128 | 71,626 | 85,012 | 87,562 | 93,692 |
| % growth | | 8 | 11 | 11 | 11 | 7 | 19 | 3 | 7 |
| API | 4 | 19,504 | 18,354 | 19,724 | 19,187 | 21,292 | 20,441 | 20,849 | 21,266 |
| % growth | | 2 | (6) | 7 | (3) | 11 | (4) | 2 | 2 |
| Others | 0 | 1,679 | 2,604 | 2,279 | 2,690 | 1,702 | 1,787 | 1,823 | 1,859 |
| % growth | | 28 | 55 | (12) | 18 | (37) | 5 | 2 | 2 |
| **Total sales** | **100** | **332,331** | **384,264** | **432,789** | **477,585** | **520,413** | **583,016** | **645,732** | **712,528** |
| **% growth** | | **3** | **16** | **13** | **10** | **9** | **12** | **11** | **10** |
| Other operating income | | 2,651 | 2,281 | 6,068 | 7,384 | 5,372 | 2,329 | 2,580 | 2,847 |
| % growth | | (48) | (14) | 166 | 22 | (27) | (57) | 11 | 10 |
| **Total revenues** | | **334,981** | **386,545** | **438,857** | **484,969** | **525,784** | **585,345** | **648,312** | **715,375** |
| **% growth** | | **2** | **15** | **14** | **11** | **8** | **11** | **11** | **10** |
| **Gross profit** | | **248,081** | **283,030** | **332,235** | **378,342** | **418,311** | **470,032** | **521,243** | **576,592** |
| **Gross margin** | | **74.1** | **73.2** | **75.7** | **78.0** | **79.6** | **80.3** | **80.4** | **80.6** |
| **EBITDA** | | **84,677** | **102,438** | **117,729** | **129,870** | **150,862** | **170,921** | **190,604** | **215,328** |
| **EBITDA margin** | | **25.3** | **26.5** | **26.8** | **26.8** | **28.7** | **29.2** | **29.4** | **30.1** |
| **Adjusted PAT** | | **59,022** | **76,048** | **86,054** | **98,310** | **117,988** | **116,262** | **137,847** | **157,087** |
| **% growth** | | **49** | **29** | **13** | **14** | **20** | **(1)** | **19** | **14** |

Source: Company, HSIE Research, EBITDA/ PAT adjusted for forex and one-offs

# Financials (Consolidated)

## Profit & loss (INR mn)

| March | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|
| **Net sales** | **332,331** | **384,264** | **432,789** | **477,585** | **520,413** | **583,016** | **645,732** | **712,528** |
| Other operating income | 2,651 | 2,281 | 6,068 | 7,384 | 5,372 | 2,329 | 2,580 | 2,847 |
| **Total operating income** | **334,981** | **386,545** | **438,857** | **484,969** | **525,784** | **585,345** | **648,312** | **715,375** |
| Cost of goods sold | (86,901) | (103,515) | (106,622) | (106,626) | (107,474) | (115,313) | (127,069) | (138,783) |
| Gross profit | 248,081 | 283,030 | 332,235 | 378,342 | 418,311 | 470,032 | 521,243 | 576,592 |
| Gross margin (%) | 74.1 | 73.2 | 75.7 | 78.0 | 79.6 | 80.3 | 80.4 | 80.6 |
| Total operating expenses | (163,403) | (180,592) | (214,506) | (248,472) | (267,449) | (299,111) | (330,639) | (361,264) |
| **EBITDA** | **84,677** | **102,438** | **117,729** | **129,870** | **150,862** | **170,921** | **190,604** | **215,328** |
| EBITDA margin (%) | 25.3 | 26.5 | 26.8 | 26.8 | 28.7 | 29.2 | 29.4 | 30.1 |
| Depreciation | (20,800) | (21,437) | (25,294) | (25,566) | (25,754) | (28,989) | (29,333) | (29,900) |
| **EBIT** | **63,878** | **81,000** | **92,435** | **104,304** | **125,108** | **141,932** | **161,271** | **185,428** |
| Net interest | (1,414) | (1,274) | (1,720) | (2,385) | (2,314) | (3,303) | (2,362) | (1,394) |
| Other income | 8,355 | 9,215 | 6,345 | 13,542 | 19,650 | 21,078 | 23,476 | 23,407 |
| **Profit before tax** | **27,994** | **44,813** | **94,084** | **110,879** | **137,521** | **154,767** | **182,386** | **207,442** |
| Total taxation | (5,147) | (10,755) | (8,476) | (14,395) | (27,720) | (37,144) | (43,773) | (49,786) |
| Tax rate (%) | 18 | 24 | 9 | 13 | 20 | 24 | 24 | 24 |
| Profit after tax | 22,847 | 34,058 | 85,608 | 96,484 | 109,801 | 117,623 | 138,613 | 157,656 |
| Minorities | (6,315) | 1,166 | 394 | 337 | 357 | 393 | 314 | 251 |
| Profit/ Loss associate co(s) | (123) | (165) | (479) | (384) | (154) | (502) | (452) | (317) |
| **Adjusted net profit** | **59,022** | **76,048** | **86,054** | **98,310** | **117,988** | **116,262** | **137,847** | **157,087** |
| Adj. PAT margin (%) | 18 | 20 | 20 | 21 | 23 | 20 | 21 | 22 |
| Net non-recurring items | (29,984) | (43,321) | (1,318) | (2,546) | (8,698) | 466 | 0 | 0 |
| **Reported net profit** | **29,038** | **32,727** | **84,736** | **95,764** | **109,290** | **116,729** | **137,847** | **157,087** |

## Balance sheet (INR mn)

| March | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|
| Paid-up capital | 2,399 | 2,399 | 2,399 | 2,399 | 2,399 | 2,399 | 2,399 | 2,399 |
| Reserves & surplus | 462,229 | 477,713 | 557,555 | 634,268 | 719,781 | 797,989 | 891,725 | 998,544 |
| Net worth | 494,798 | 510,661 | 593,155 | 671,060 | 724,860 | 803,460 | 897,510 | 1,004,581 |
| Borrowing | 38,686 | 12,903 | 68,859 | 32,737 | 23,622 | 44,035 | 31,915 | 18,831 |
| Other non-current liabilities | 9,951 | 8,581 | 9,270 | 10,667 | 13,303 | 26,729 | 27,384 | 28,070 |
| **Total liabilities** | **676,667** | **698,078** | **807,436** | **854,629** | **921,006** | **1,056,716** | **1,141,857** | **1,249,505** |
| Gross fixed assets | 292,914 | 321,161 | 347,419 | 356,848 | 370,102 | 484,858 | 500,658 | 516,458 |
| Less: Depreciation | (140,260) | (160,422) | (190,345) | (210,723) | (233,633) | (262,622) | (291,955) | (321,854) |
| Net fixed assets | 152,653 | 160,739 | 157,074 | 146,124 | 136,469 | 222,236 | 208,703 | 194,603 |
| Add: Capital WIP | 15,668 | 12,868 | 49,732 | 53,539 | 66,440 | 27,613 | 27,613 | 27,613 |
| Total fixed assets | 168,322 | 173,607 | 206,806 | 199,663 | 202,908 | 249,848 | 236,316 | 222,216 |
| Total Investment | 96,125 | 128,486 | 148,243 | 150,258 | 183,538 | 203,207 | 203,207 | 203,207 |
| Inventory | 89,970 | 89,251 | 105,131 | 98,683 | 102,433 | 108,939 | 120,658 | 133,139 |
| Debtors | 90,614 | 104,846 | 114,385 | 112,494 | 130,461 | 157,718 | 174,684 | 192,754 |
| Cash & bank | 64,455 | 50,334 | 57,703 | 105,207 | 113,316 | 122,994 | 177,654 | 251,829 |
| Loans & advances | 567 | 1,707 | 419 | 659 | 512 | 615 | 679 | 748 |
| Current liabilities | 133,232 | 165,933 | 136,152 | 140,165 | 159,221 | 182,492 | 185,047 | 198,022 |
| Total current assets | 273,127 | 272,314 | 305,113 | 348,913 | 389,712 | 456,129 | 546,590 | 658,895 |
| Net current assets | 139,895 | 106,381 | 168,961 | 208,748 | 230,490 | 273,637 | 361,544 | 460,874 |
| Other non-current assets | 76,217 | 57,759 | 63,693 | 69,806 | 55,454 | 54,742 | 62,953 | 72,396 |
| **Total assets** | **676,667** | **698,078** | **807,436** | **854,629** | **921,006** | **1,056,716** | **1,141,857** | **1,249,505** |

Source: Company, HSIE Research

## Cash flow (INR mn)

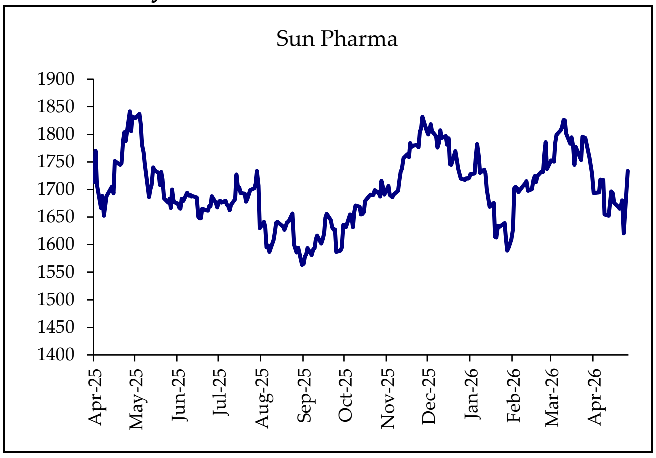
| March | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|
| Profit before tax | 27,994 | 44,813 | 94,084 | 110,879 | 137,521 | 154,767 | 182,386 | 207,442 |
| Depreciation & Amortisation | (20,800) | (21,437) | (25,294) | (25,566) | (25,754) | (28,989) | (29,333) | (29,900) |
| Chg in working capital | 25,641 | 15,591 | (56,618) | 10,621 | (3,236) | (19,331) | (40,803) | (33,912) |
| **CF from operations** | **61,704** | **89,845** | **49,593** | **121,350** | **140,721** | **117,321** | **113,922** | **139,602** |
| Capital expenditure | (12,317) | (22,346) | (67,714) | (23,451) | (24,014) | (114,756) | (15,800) | (15,800) |
| **CF from investing** | **5,362** | **(57,247)** | **(79,437)** | **(6,902)** | **(53,062)** | **(150,186)** | **(15,800)** | **(15,800)** |
| Debt raised/ (repaid) | (41,992) | (27,431) | 52,602 | (35,329) | (9,821) | 20,413 | (12,120) | (13,084) |
| Dividend paid | (15,591) | (21,589) | (25,193) | (28,982) | (36,140) | (38,520) | (44,111) | (50,268) |
| **CF from financing** | **(59,805)** | **(51,935)** | **23,761** | **(67,102)** | **(79,058)** | **(21,410)** | **(58,593)** | **(64,745)** |
| Net chg in cash | 7,261 | (19,337) | (6,083) | 47,346 | 8,601 | (54,275) | 39,529 | 59,057 |

## Key ratios

| March | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|
| **OPERATIONAL** | | | | | | | | |
| FDEPS (INR) | 24.6 | 31.7 | 35.9 | 41.0 | 49.2 | 48.5 | 57.5 | 65.5 |
| CEPS (INR) | 20.8 | 22.6 | 45.9 | 50.6 | 56.3 | 60.7 | 69.7 | 77.9 |
| DPS (INR) | 6.5 | 9.0 | 10.5 | 12.1 | 15.1 | 16.1 | 18.4 | 21.0 |
| Dividend payout ratio (%) | 53.7 | 66.0 | 29.7 | 30.3 | 33.1 | 33.0 | 32.0 | 32.0 |
| **GROWTH** | | | | | | | | |
| Net sales (%) | 2.8 | 15.6 | 12.6 | 10.4 | 9.0 | 12.0 | 10.8 | 10.3 |
| EBITDA (%) | 21.4 | 21.0 | 14.9 | 10.3 | 16.2 | 13.3 | 11.5 | 13.0 |
| Adj net profit (%) | 48.7 | 28.8 | 13.2 | 14.2 | 20.0 | (1.5) | 18.6 | 14.0 |
| FDEPS (%) | 48.7 | 28.8 | 13.2 | 14.2 | 20.0 | (1.5) | 18.6 | 14.0 |
| **PERFORMANCE** | | | | | | | | |
| RoE (%) | 12.9 | 16.1 | 16.5 | 16.4 | 17.4 | 15.3 | 16.3 | 16.6 |
| RoCE (%) | 12.9 | 16.8 | 16.4 | 17.0 | 19.6 | 19.9 | 20.2 | 20.8 |
| **EFFICIENCY** | | | | | | | | |
| Asset turnover (x) | 1.1 | 1.3 | 1.3 | 1.4 | 1.4 | 1.4 | 1.3 | 1.4 |
| Sales/ total assets (x) | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Working capital/ sales (x) | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 |
| Receivable days | 100 | 100 | 96 | 86 | 92 | 99 | 99 | 99 |
| Inventory days | 131 | 115 | 119 | 101 | 100 | 96 | 96 | 97 |
| Payable days | 58 | 58 | 65 | 58 | 60 | 62 | 57 | 58 |
| **FINANCIAL STABILITY** | | | | | | | | |
| Total debt/ equity (x) | 0.1 | 0.0 | 0.1 | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 |
| Net debt/ equity (x) | (0.1) | (0.2) | (0.1) | (0.3) | (0.3) | (0.3) | (0.4) | (0.4) |
| Current ratio (x) | 2.1 | 1.6 | 2.2 | 2.5 | 2.4 | 2.5 | 3.0 | 3.3 |
| Interest cover (x) | 45.2 | 63.6 | 53.7 | 43.7 | 54.1 | 43.0 | 68.3 | 133.1 |
| **VALUATION** | | | | | | | | |
| PE (x) | 70.5 | 54.7 | 48.3 | 42.3 | 35.3 | 35.8 | 30.2 | 26.5 |
| EV/ EBITDA (x) | 48.8 | 39.8 | 34.9 | 31.1 | 26.1 | 23.0 | 20.3 | 17.5 |
| EV/ Net sales (x) | 12.4 | 10.6 | 9.5 | 8.5 | 7.6 | 6.7 | 6.0 | 5.3 |
| PB (x) | 9.0 | 8.7 | 7.4 | 6.5 | 5.8 | 5.2 | 4.7 | 4.2 |
| Dividend yield (%) | 0.4 | 0.5 | 0.6 | 0.7 | 0.9 | 0.9 | 1.1 | 1.2 |
| Free cash flow yield (%) | 1.2 | 1.6 | (0.4) | 2.4 | 2.8 | 0.1 | 2.4 | 3.0 |

Source: Company, HSIE Research

## Price History




**Rating Criteria**

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

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