

Sun Pharmaceuticals (SUNP) - ADD

Company Update

Current Market Price (CMP) Rs.1737	Target Price Rs.1975
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Rationale:

- The criteria laid out in the recently announced pilot US Medicare programs are likely to impact SUNP’s specialty portfolio.
- GLOBE program, which modifies the Medicare Part B inflation rebate calculation using international pricing as a benchmark (MFN), can have a direct impact on Ilumya.
- Proposed for 5-year period commencing from Oct’26, we believe this move will push SUNP to strike a deal with US, materially restricting EPS impact vs worst-case scenario.
- MFN pricing remains the only key overhang for SUNP and any deal with the US should address most of the concerns.
- We await further developments on this front and maintain our ADD rating on SUNP with an unchanged FV of Rs1,975.

 Positives:

- SUNP has generally reported in-line or higher sales growth versus guidance.
- We forecast 12% overall sales CAGR, over FY25-28E, for SUNP.

 Negatives:

- Our back-of-the-envelope calculation suggests a low double-digit EPS hit for SUNP in the worst-case scenario of MFN pricing.

(MFN: Most Favored Nation; CAGR: Compound Annual Growth Rate; EPS: Earnings Per Share)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

- BUY

– We expect the stock to deliver more than 15% returns over the next 12 months
- ADD

– We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE

– We expect the stock to deliver -5% - +5% returns over the next 12 months
- SELL

– We expect the stock to deliver < -5% returns over the next 12 months
- NR

– **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
- SUBSCRIBE

– We advise investor to subscribe to the IPO.
- RS

– **Rating Suspended.** Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.
- NA

– **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM

– **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE

– Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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