Discussion document v3 | 18 November 2026 | ANKLESH RAWAT

NSE SUNPHARMA BSE 524715

Sun Pharma network and portfolio review

Optimise, not shrink, the US generics network; hold any US plant until the tariff text lands; let Organon integration and deleveraging lead.

Prepared for	Sun Pharma leadership: strategy, operations, finance
Scope	10 page decision deck; 15 page evidence appendix
Basis	Public filings, calls and regulator data only



Sun Pharma at a glance

₹58,220 Cr
sales FY26, +11.9%

34.5%
of sales from India; rank 1, 8.6% share

$356M
innovative sales Q2 FY27, 21.1% of sales

3 sites
in India under US FDA action

$11.75B
Organon deal, closing Q4 FY27

Aug 2028
100% US tariff on generics (plan)

Makes medicines in 15 countries:

Sells in about 100 markets; Organon adds 140 countries.

Sources: Sun Pharma NSE filings and Q2 FY27 call (via FactIQ), BRSR FY26, GlobalData and Sun annual report (sites), Organon, FDA, White House plan of 21 Jul 2026. Photo: Pexels, illustrative. Not investment advice.

A0 Optimise, not shrink: prepare exits and transfers now, commit when the tariff text lands, and add CDMO only against signed customers

+$122M
optimise vs defend all under the 200% plan; +$55M if negotiated

-$5M
if no tariff: a hedge, not a value creator

-$45M
optimise vs defend, everything adverse at once

+$93M
CDMO upside, only with qualified customers

-$214M
value lost by building US plants now

1 Flat to up

The US decline is lenalidomide, not the base

US sales fell $41M (-8.2%) in Q2 FY27; the company says sales excluding lenalidomide rose slightly; our split is illustrative (p3).

2 48%

The threat is a tariff on customs value

At the announced 200%, duty equals 60% of imported sales, or 48% of all US generic sales, before any price pass through. Still a plan with no text (p4, p5).

3 32% / 70%

Defend a third, keep and reprice the rest, exit the tail

Only differentiated products clear 15%; mid competition stays positive and is repriced; the commodity tail and half the flagged site products ($212M in FY30) go (p6).

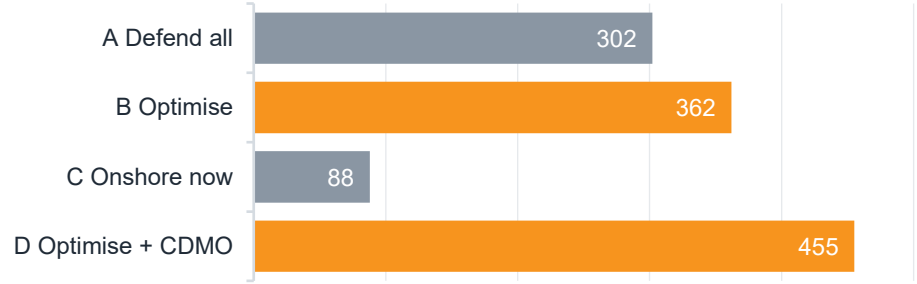
4 $3.5B

Organon's 2028 debt wall matters more than the network

Organon debt of $3.5B falls due in 2028 (CRISIL) and its adviser valued it below the $14 paid; the network plan needs under 1% of free cash (p7, p8).

E1 Value of each option, NPV US$ M, probability weighted

US generics and CDMO cash flows FY28 on, 10% WACC (our model, p9)



The call

Now — Molecule P&L in 90 days; exit and transfer files ready; qualify CDMO customers before any CDMO capex

At a trigger — Execute exits when the tariff text lands or the P&L confirms; US line only if 200% holds and pass through is under ~30%

Not now — No speculative US plant; free cash goes first to the 2028 Organon maturities

Source: Sun Pharma Q1 and Q2 FY27 releases and calls (FactIQ, Investywise); White House plan 21 Jul 2026; PwC (Sep 2026); Organon DEFM14A and 10-Q; CRISIL (13 Oct 2026); Sun FY26 filings. Segment margins, customs ratio, pass through, CDMO revenue and probabilities are our assumptions with ranges (p6, p9); the model is ledger_sun3.

So what **The network plan is a cheap hedge worth up to about $120M; Organon's price and its 2028 debt are the bigger value questions.**

B1 Without lenalidomide, Sun's US sales were flat to slightly up: the case for change rests on tariffs and sites, not the run rate

-8.2%
US formulations Q2 FY27, reported ($455M)

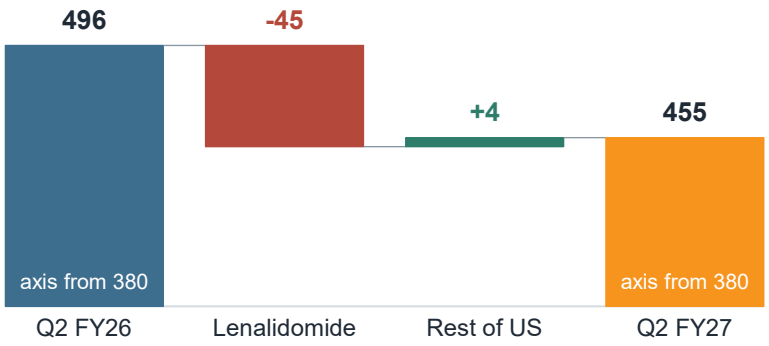
Slightly up
ex-lenalidomide US sales, Q2 FY27 (company)

$41 to 50M
implied lenalidomide effect a quarter (split not disclosed)

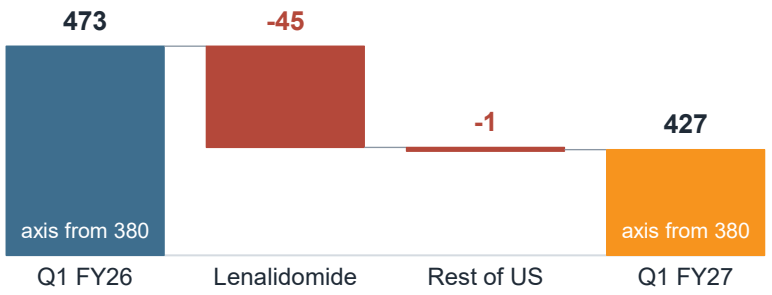
-0.2%
illustrative Q1 FY27 residual (range -1.2% to +0.9%)

5 + 5
US generic launches in Q1 and Q2 FY27

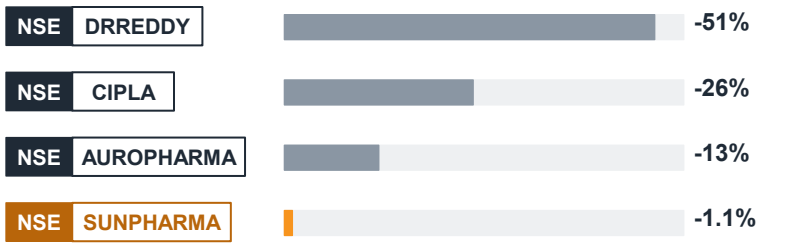
E1 US sales bridge, Q2 FY26 to Q2 FY27, US$ M (illustrative split)



E2 Same bridge, Q1 FY26 to Q1 FY27, US$ M (illustrative)



E3 Peers fell harder: US or North America, Q4 FY26 YoY



Dr Reddy's: North America generics; Cipla: North America in ₹; Aurobindo, Sun: US formulations.

Since Q2 FY26 Sun's US innovative sales exceed its US generics; the CEO calls the rest of the innovative book 'strong growth'.

E4 What passes and what stays

Passes (cyclical, one off)

Lenalidomide volume limited generic sales erode; management: 'largely' the decline

Launch cadence 5 US generic launches a quarter offset erosion (CEO, Q2 FY27)

Stays (structural)

Tariff on imports plan: 100% Aug 2028, 200% Aug 2029 (p5)

Price by maker count 6+ makers price under 5% of the brand (FDA); 3 buyers hold over 90%

Three flagged sites no new US launches from Halol or Mohali while action stands (p4)

Source: Sun Pharma Q1, Q2 FY27 releases and Q2 FY27 call (CEO: decline 'largely due to lenalidomide erosion'; CFO: adjusted for lenalidomide, EBITDA growth outpaced revenue), via FactIQ; Q2 results release: ex-lenalidomide sales rose slightly (via Investywise). Q1 FY26 derived from reported growth. The $45M split is illustrative (range $41 to 50M); peers' Q4 FY26 releases.

So what **Do not size the network on the last two quarters; size it on the tariff and the sites.**

B2 About $690 million of Sun's US generic sales are imported and dutiable, and eight Indian sites sit under some form of FDA action

Exposure ladder from reported US sales to dutiable value; the generics share, US made share and customs ratio are our estimates

$857M
US generics FY26 (45% of $1,904M US sales)

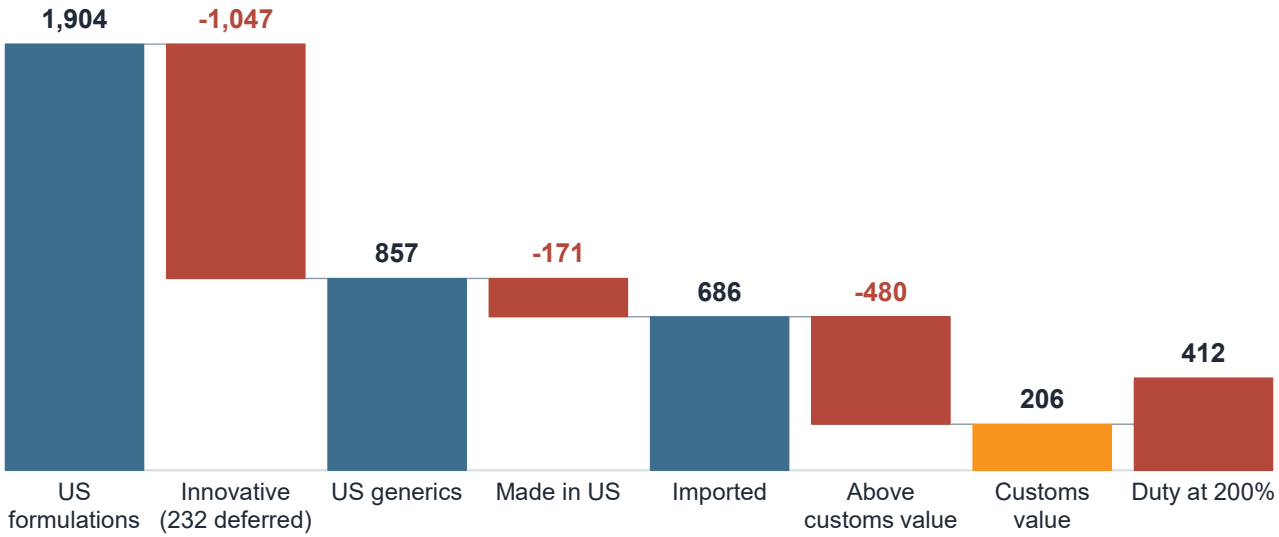
~$686M
imported (80%; Ohm, New Jersey makes the rest)

60% / 48%
duty at 200%: of imported / of all US generic sales

558 / 119
ANDAs approved / pending, Q1 FY27

8 sites
under an import alert, OAI, warning letter or decree

E1 From US sales to dutiable value, FY26, US$ M (our estimate)



Duty is levied on customs value (the transfer price), not on US net sales; PwC's $27B at 100% against $98B US generic spend implies ~28% market wide.

E2 FDA register: eight Indian sites, four different mechanisms

they are not equal: each mechanism limits launches or supply differently (p21)

Halol Gujarat	Import alert	Dec 2022
Mohali Punjab	Warning letter, decree	2022 to 2023
Dadra Dadra and Nagar Haveli	Warning letter	Jun 2024
Baska Gujarat	OAI	before Mar 2026
Toansa Punjab	Consent decree provisions	2014 (ex Ranbaxy)
Karkhadi Gujarat	Consent decree provisions	legacy
Paonta Sahib Himachal Pradesh	Consent decree provisions	2012 (ex Ranbaxy)
Dewas Madhya Pradesh	Consent decree provisions	2012 (ex Ranbaxy)

E3 Where Sun's US supply is made

- **India** most sites; tariff applies
- **Canada** Taro; tariff applies
- **Israel** Taro; tariff applies
- **USA** Ohm and Cranbury; exempt

Source: Sun Q4 FY26 and Q1 FY27 releases (US sales, ANDAs); CRISIL rating rationales (Jan 2024, Mar and 13 Oct 2026) and ICRA (Mar 2026) on site status; PwC (Sep 2026) and AAM 2025 (customs ratio check); Sun annual report (sites). Split by molecule and site not disclosed: shares are our estimates (ledger_sun3).

So what **The tariff bill lands on every imported pill; only products with pricing power can carry it.**

B3 Paying the tariff and passing half on beats a US plant until the rate passes about 150%, so the onshoring call can wait for the text

Plan only
100% Aug 2028, 200% Aug 2029; no implementing text

30%
customs value, % of US sales (our base; 20 to 45%)

~150%
rate where an own US line beats importing S1

$27B
added US duties a year at 100% (PwC)

25
drug makers with US pricing deals (White House)

E1 Three tariff outcomes for FY30: US generics EBITDA, US$ M (our model)

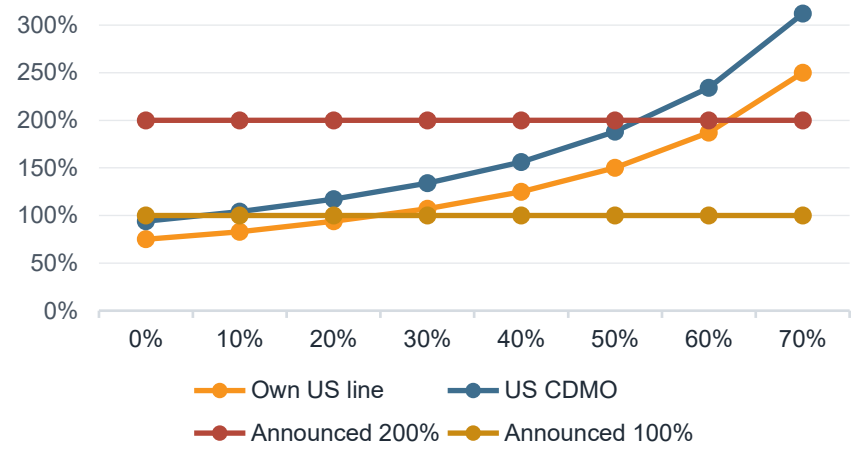
Generics tariff in FY30

		Rate	Defend all	Optimise + CDMO	NPV gain
No tariff exemption or deal	25% chance	0%	$100M	$124M	+$117M
Negotiated 25% from Aug 2028	45% chance	25%	$68M	$105M	+$177M
Plan as announced 200% from Aug 2029	30% chance	167%	-$110M	-$5M	+$148M

Chances are our judgement (no text yet; 25 firms signed deals). 167% is FY30's blend: 100% for four months, 200% for eight.

E2 Breakeven tariff for a US line, by pass through

rate at which US made cost equals the duty



Above a line, building or contracting in the US is cheaper.

E3 Duty arithmetic at 200% (FY31 on): one basis for every page

Rate	× customs value	= of imported sales	× imported share	= of all US generics	S1: half passed on	S3: none passed on	Margin S1 / S3
200%	30%	60%	80%	48%	24%	48%	45% / 10%

Source: White House plan 21 Jul 2026 via Bloomberg, AJMC; Thomson Reuters ONESOURCE (3 Aug 2026: HTS scope, origin rules and exclusions unspecified); PwC proposed tariffs on generic pharma (Sep 2026); Sun Q2 FY27 call (25 firms). Rates, chances, pass through and cost premia are our assumptions (ledger_sun3).

So what **Treat the 200% plan as a trigger, not a fact: prepare cheaply now and commit capital only when the text lands.**

B4 Only differentiated products clear a 15% tariff hurdle; mid competition products stay positive and are repriced, while the commodity tail goes

32% of FY30 US generic sales clear the 15% weighted hurdle (S1)

70% kept: S1, S2 and the movable half of S4 ($490M)

$212M FY30 sales to exit: S3 and half of S4

-5% weighted margin, commodity tail

$134M US generics EBITDA FY26 (our estimate)

E1 Contribution margin by segment and tariff outcome, FY30, % of sales (our model)

before network fixed cost; green clears the 15% hurdle (defend), amber 0 to 15% (keep, reprice), red below zero (exit)

	FY30 sales	No tariff	Negotiated	Plan, 167%	Made in US	Weighted	Call
S1 Differentiated complex, injectable, 1 to 3 makers	$228M	45%	42%	25%	27%	38%	Defend; price through
S2 Mid competition oral solids, 4 to 5 makers	$209M	25%	20%	-7%	7%	13%	Keep; reprice; exit if 200% and no pass through
S3 Commodity tail 6 or more makers	$160M	10%	4%	-30%	-8%	-5%	Exit by FY29
S4 Flagged site products Halol, Mohali, Dadra; shortage exempt or held	$105M	18%	13%	-14%	0%	6%	Move half, exit half

Shares: S1 30%, S2 30%, S3 25%, S4 15% of US generics; price erosion 3 to 7% a year; pass through S1 50%, S2 and S4 20%, S3 0%.

E2 Decision rules (ours, applied as shown)

Defend weighted margin 15% or more: S1

Keep, reprice 0 to 15% and positive if negotiated: S2

Move site is the problem and the molecule earns S2 margins at a compliant site: half of S4

Exit below zero weighted: S3 and the rest of S4

E3 Replace our assumptions with Sun's data

- Molecule P&L
- Makers per molecule
- Site per ANDA
- Contract pass through
- Transfer prices

Source: FDA, Generic Competition and Drug Prices (price by number of makers); USC Schaeffer (maker gross margin ~50%); Citeline (Halol ~3% of group sales, 2022); Sun releases. Segment shares, margins, erosion and pass through are our assumptions pending molecule data (ledger_sun3).

So what **Prune by molecule, not by country: the same plant can hold products worth defending and products worth dropping.**

B5 Organon's own adviser valued it at $6.80 to $13.90 a share against $14 paid, so synergies and Nexplanon after 2027 must carry the price

$6.80 to $13.90
adviser's standalone value a share vs $14.00 (Morgan Stanley)

-31%
projected unlevered cash 2030 vs 2029 (Organon)

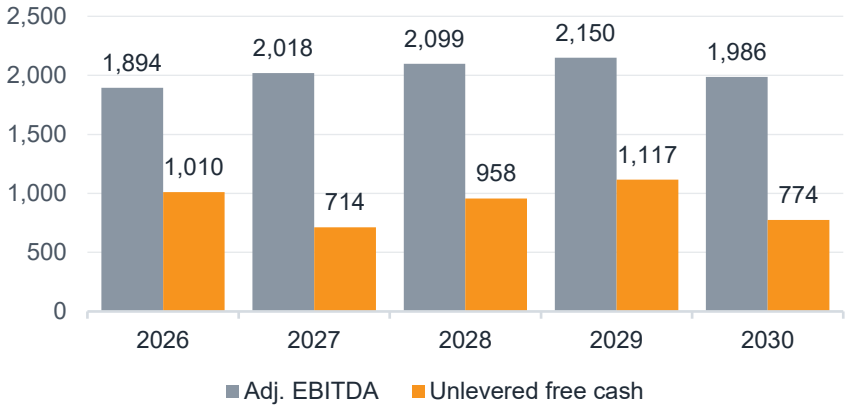
-10%
Nexplanon sales Q3 2026 (Organon 10-Q)

6.1x
NTM EV/EBITDA paid; Viatris 7.0x, Teva 9.9x

$3.5B
Organon debt maturing in calendar 2028 (CRISIL)

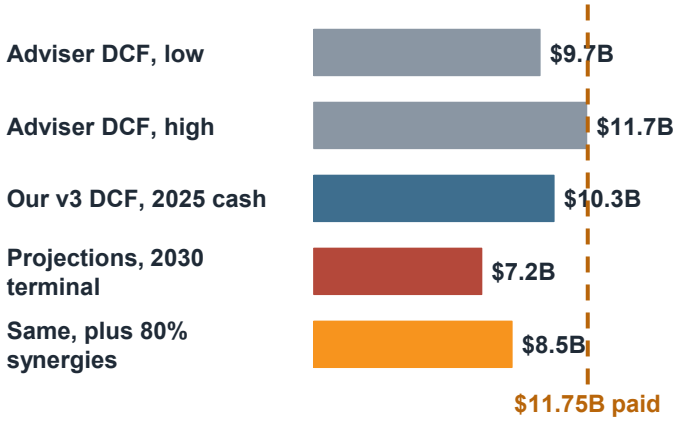
E1 Organon's own projections, US$ M (unaudited, proxy) NYSE OGN

adjusted EBITDA and unlevered free cash flow



Revenue $6,252, 6,475, 6,693, 6,822, 6,470M; 2030 -5.2%. Cash conversion 53%, 35%, 46%, 52%, 39%.

E2 What Organon is worth against the price, US$ B EV



Adviser range converted at deal net debt ($7.8B) and 285M shares (ours). 10.5%, -1% terminal growth on the 2030 dip year gives $7.2B: the terminal choice moves value by billions.

E3 Why cash dips in 2030

Nexplanon
sales -10% in Q3 2026 as five year label delays reinsertions; implant patents 2027, inserter 2030 (reported)

Generic filer
Xiromed ANDA on Nexplanon (reported)

Synergies
$350M by Sun; Organon's own synergy case was about $700M

E4 How it is paid for, and what falls due

$10B+
bridge loan, 11 banks incl. SBI (Jun 2026)

₹7,816 Cr
NCDs at 8.05% and 8.20%

$3.5B
Organon debt due in 2028 (CRISIL)

1.5 to 2.0x
net debt / EBITDA FY28 (CRISIL)

Source: Organon DEFM14A (17 Jun 2026): Organon Projections and Morgan Stanley DCF (10.2 to 10.9%, -2 to 0% growth, $6.80 to $13.90 a share); Organon 10-Q Q3 2026; CRISIL rationale 13 Oct 2026; TIKR; press on Nexplanon patents and the Xiromed filing (Panabee, The Witfire); Panabee on the $700M synergy case. Conversions and DCFs are ours (ledger_sun3).

So what **On its own adviser's numbers the price needs synergies to pay off; the synergy plan, not the US network, is the case's biggest value lever.**

B6 After Organon, Sun frees about $6.5 billion of cash by FY30, but $3.5 billion of Organon debt falls due in 2028 first

$6.5B free cash FY28 to FY30, base case (our model)

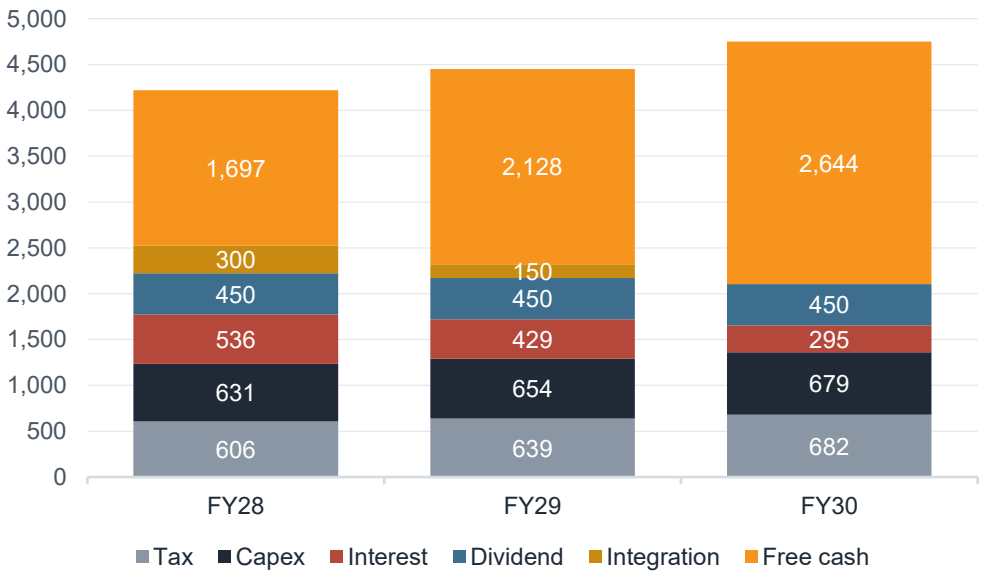
48% of EBITDA left after tax, capex, interest, dividend, integration

$45M network plan capex; under 1% of free cash

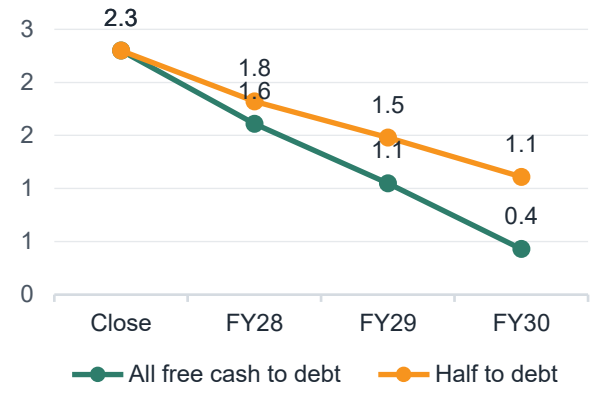
1.1x net debt / EBITDA FY30 if half repays debt

4.7% after tax return on repaying deal debt

E1 Where EBITDA goes, US$ M (base case)



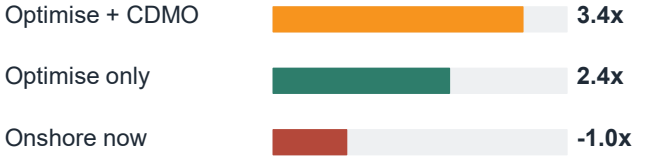
E2 Net debt / EBITDA, x



Close at 2.3x (company). FY30: 0.4x or 1.1x.

E3 Return on each use of cash

NPV per $ of capex (our model)



Repay debt: 4.7% a year after tax, near certain. R&D at the 6 to 7% guide costs $82 to 151M a year more than Q2's 4.8% run rate (FY26 sales, our arithmetic).

E4 The 2028 wall: maturities against cash, US$ M

$3,500M Organon debt due in calendar 2028 (CRISIL)

$3,825M free cash FY28 and FY29 (our base)

~$1,588M to refinance if half of free cash repays debt

$85M a year per 100bp on $8.5B net debt

Source: Sun FY26 integrated filing via FactIQ (capex ₹3,609 Cr, tax paid ₹2,314 Cr); Organon 10-K FY2025 (capex); Sun deal release (2.3x at close); NCD coupons (Multibagg); CRISIL (13 Oct 2026: $3.5B due 2028); tax 13% of EBITDA +10%, interest 6.3% blended, dividend $450M, integration $300M and $150M are ours; base case revenue and EBITDA from the v2 model (India 12%, innovative 10%, Organon -1%, 80% synergies).

So what **Sequence cash: the 2028 Organon maturities first, the network plan from small change, and keep refinancing lines open.**

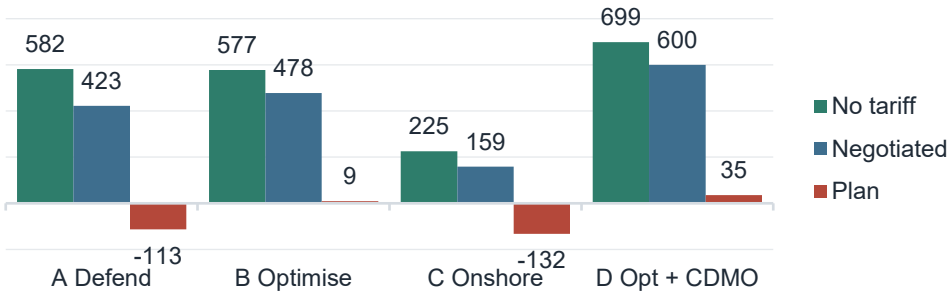
C1 Optimising pays if a tariff lands and breaks even if none does; CDMO adds value only with customers; onshoring now loses value

E1 Options compared (US$ M; our model, 10% WACC, FY28 onward)

Option	What it does	FY30 EBITDA: none / 25% / plan	NPV weighted	vs defend all	Capex	Holds if
A Defend all	remediate all sites, keep every molecule	**$100M / $68M / -$110M**	**$302M**	**base**	$0M	flagged sites clear and the tariff never comes
B Optimise	exit commodity tail and half the flagged site products; move the rest; cut $30M fixed cost	**$104M / $85M / -$25M**	**$362M**	**+$60M**	$25M	a tariff lands; about breakeven (-$5M) if none
C Onshore now	B plus a $180M US line for S1 live in FY30	**$63M / $51M / -$21M**	**$88M**	**-$214M**	$205M	200% lands and pass through is under 30%
D Optimise + CDMO	B plus freed compliant lines sold as CDMO capacity (gated: qualified customers first)	**$124M / $105M / -$5M**	**$455M**	**+$153M**	$45M	signed customers; capability fits the line
E D + paid option	D plus $30M now to keep a US CDMO switch ready	**$124M / $105M / -$5M**	**$429M**	**+$127M**	$75M	pass through proves weak under 200%

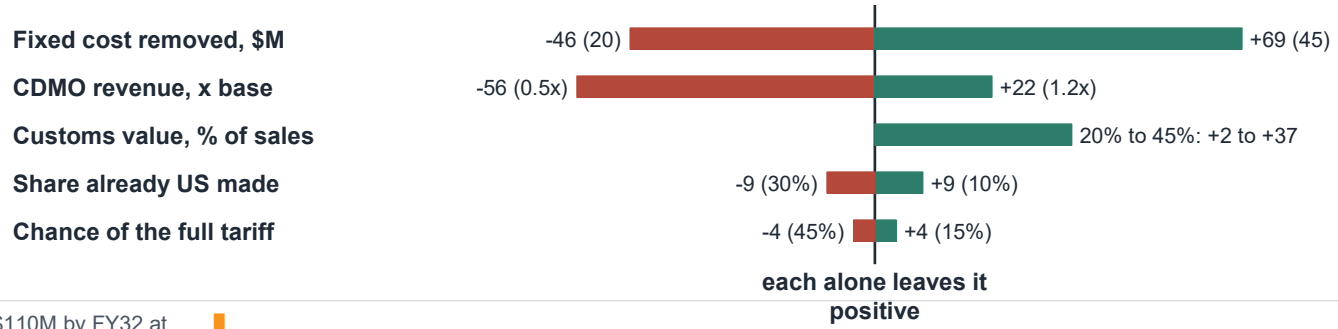
All adverse at once (cost cut and CDMO at the low end, transfer at the high end, more US made, low customs value, low 200% odds): B -$45M, D $7M, D with no CDMO -$63M.

E2 NPV by tariff outcome, US$ M



E3 One at a time: what moves D's lead over A (base +$153M)

probability weighted NPV change, US$ M; the combined case is in the line above



Source: Our model (ledger_sun3): segment margins, erosion, pass through, customs ratio, CDMO revenue ($110M by FY32 at 25% margin), costs and chances are assumptions with stated ranges; WACC 10%; terminal decline 3% a year. Sources for inputs on p3 to p8.

So what **Prepare B now and commit on the tariff text; fund CDMO only against customers; keep onshoring for the day the text lands.**

C2 Management can decide four things now; two wait for a trigger, and the molecule data that settles the economics sits inside Sun

Decide now (no regret)

- Build a molecule by site P&L for the top 100 US molecules in 90 days
- Exit list for the commodity tail ($160M of FY30 sales), ready to execute
- Prior approval filings for viable products at the eight restricted sites
- Qualify CDMO customers; no CDMO capex before signed demand

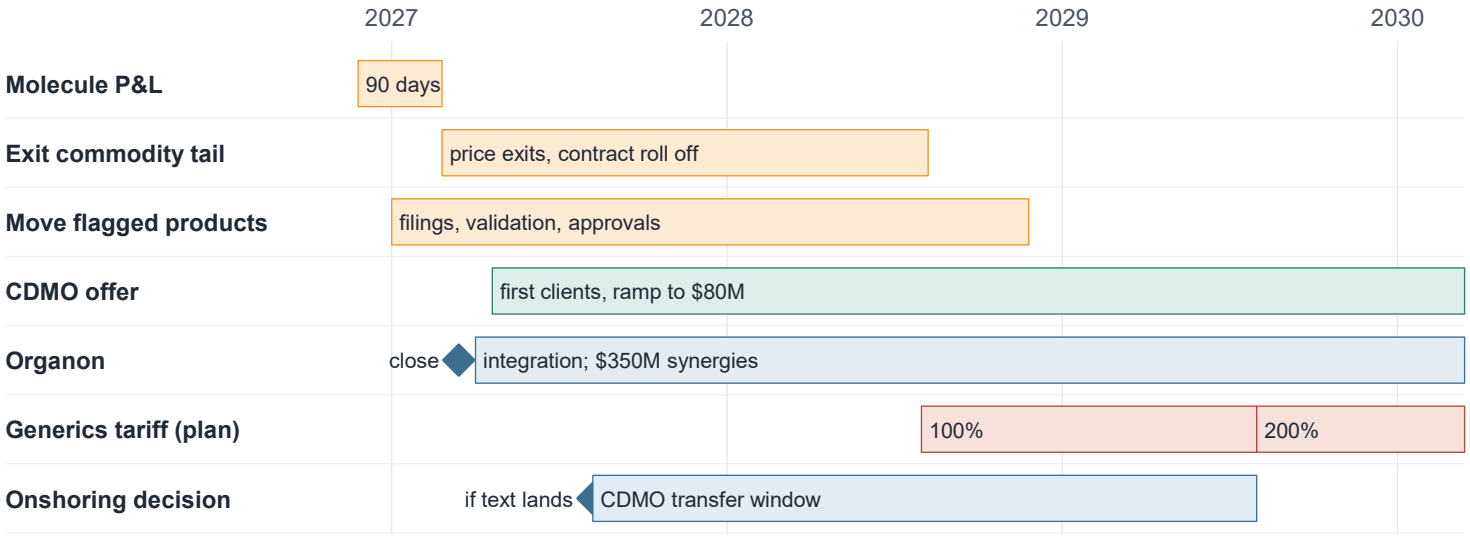
Decide at a trigger

- Execute exits and US supply for S1: when the tariff text lands (US line only if pass through < 30%)
- Keep or move flagged site products: on each site's re-inspection outcome

Evidence still needed (inside Sun)

- Contribution margin per molecule and site
- Products and sales by FDA restricted site (FEI)
- Contract pass through clauses with the 3 buying groups
- Transfer prices that set customs value

E1 Plan against the clocks, Nov 2026 to Mar 2030



E2 Hypotheses: what public data shows, what settles it

		Public shows	Settled by
H1	Generics network costs more than it earns	exposure	molecule P&L
H2	200% removes most US generic profit	rates, sites	pass through
H3	China inputs exceed what integration implies	trade data	bill of materials
H4	Ilumya slowdown is fixable	scripts	rep data
H5	Debt stays above 2x into FY29	filings	deal model
H6	India grows on volume	Pharmarack	same

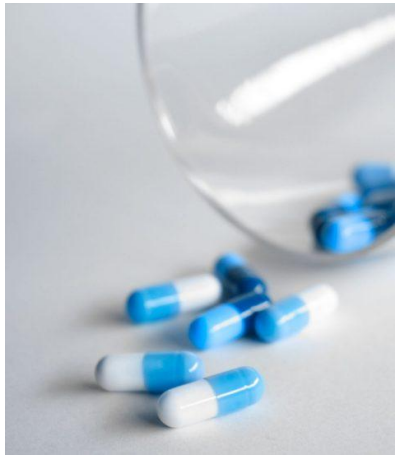
Source: Our plan. Dates as announced: Organon close Q4 FY27 (Sun); generics tariff plan 21 Jul 2026 (White House). Durations are our estimates; FDA prior approval supplements typically take months to years. Hypotheses carried from the v2 deck; tests now split into public exposure and internal economics.

So what **Public data sizes the exposure; only Sun's molecule data can settle the economics, so commission it first.**

X1 Appendix: the system | public sources only | analysis date 17 Nov 2026

India's medicine machine is now taxed at both ends, and Sun Pharma, its largest maker, has until 2028 to reset its US network

How the generics supply chain sets prices and delivery for the world, why Indian manufacturing and contract manufacturing matter, and why Sun is where it is: a US generics book that is flat once lenalidomide is stripped out, plants under FDA action, an $11.75B Organon deal and two tariff clocks.



The chain a US generic prescription travels (schematic, not to scale)

China: starting materials

74% of India's API imports, FY25

96% of 6-APA, a penicillin input

India: API and dosage form

$31.1B exports FY26, a record

$7.4B API imports, 2025

US FDA gate

87% of FDA visits to India unannounced, FY26

303 drug warning letters, FY25

US buyers and pharmacies

3 buying groups, over 90% of generic purchases

$25 average cost of a generic Rx

US patient

47% of US generic Rx made by Indian firms

$219B saved by them in 2022

Where Sun Pharma sits on that chain today

₹58,220 Cr	$1,420M	-8.2%	3 sites	$11.75B	Aug 2028
FY26 sales, +11.9%	innovative medicines FY26	US formulations, Q2 FY27	under FDA action (Halol, Mohali, Dadra)	Organon, closing Q4 FY27	generics tariff of 100% begins

Source: Sun Pharma results FY25 to Q2 FY27; Organon FY2025; NITI Aayog; Pharmexcil; RAPS; FDA; AAM; IQVIA Institute; Drug Channels; White House proclamation 2 Apr 2026. Photo: Pexels, illustrative. Our analysis; not investment advice.

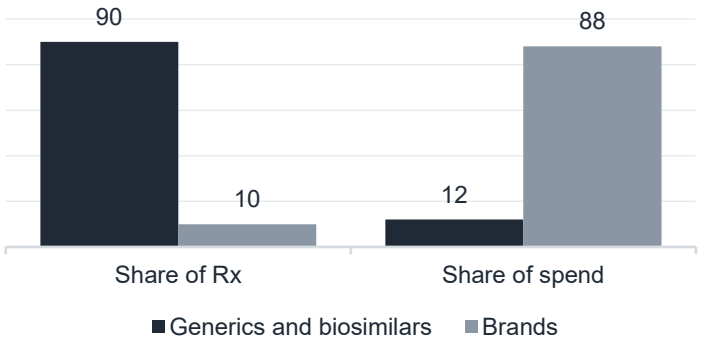
So what **The pivot to India and innovative medicines is right; the US network plan is the gap.**

X2 The US fills 9 in 10 prescriptions with generics for 12% of the spend, and Indian firms make almost half of them

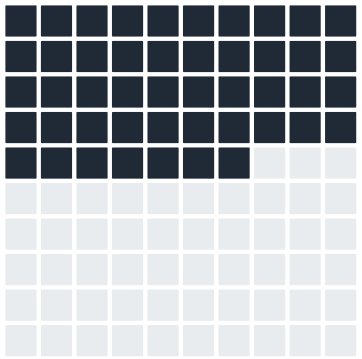
Certificate of analysis result against benchmark

Generic share of US Rx, 2024	Generic share of US Rx spend	Indian firms, US generic Rx	Cost per prescription	Generic savings to the US, 2025
90% INFO	**12%** INFO	**47%** INFO	**$25** INFO	**$496B** INFO
3.9B of 4.3B prescriptions	$98B of $798B	2022; 4 in 10 of all US Rx	brand $1,609, 64x more	$467B in 2024

E1 Prescriptions against spend, US 2024, %



E2 Who makes them: 47 of every 100 US generic Rx



47%

Indian companies, 2022

15% of US biosimilar volume; more than half of Rx in 5 of the top 10 therapy areas:

- Hypertension
- Mental health
- Lipids
- Nervous system
- Antiulcerants

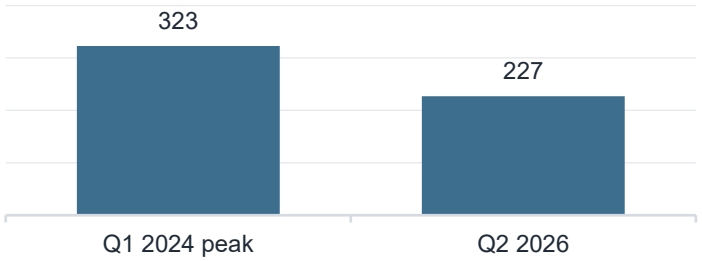
E3 Who buys them: three groups, over 90% of purchases

Red Oak	Cardinal Health + CVS
WBAD	Walgreens + Cencora
ClarusONE	McKesson + Walmart

Gross margin on a generic: maker 50%, pharmacy 43%. Many approved makers bid for one buyer's volume, so price falls to the cheapest compliant plant.

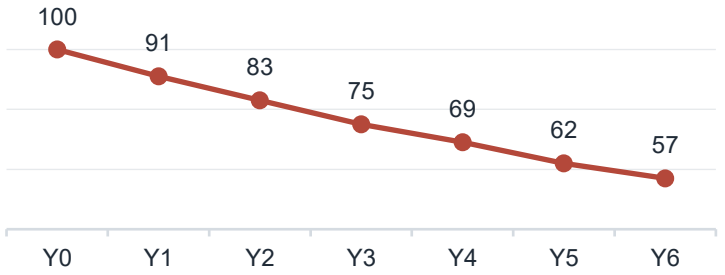
E4 Active US drug shortages, count

71% are sterile injectables



E5 Generic sterile injectable price index

average selling price falls 9% a year (derived index)



E6 Why cheap supply breaks

Price falls	9% a year
Makers exit	thin margins
Few plants per drug	no spare line
One plant fails	shortage

Proof: Halol, under import alert, still ships drugs FDA lists as in shortage.

Source: AAM 2025 and 2026 Savings Reports (with IQVIA); IQVIA Institute, US India Medicine Partnership (Apr 2024); Drug Channels Institute (buyer estimate, 2018 to 2019); USC Schaeffer Center (gross margins, 2017); ASHP via AJMC (Jul 2026); Pfizer Hospital US (Aug 2026, ASP); Sun filing on Halol (Sep 2025). Cost per Rx and index derived.

So what **The US pays Indian makers for volume, not resilience; the cheapest supplier is the one a shortage depends on.**

X3 India is indispensable downstream but exposed upstream: 74% of its imported APIs come from China, and PLI has not changed that yet

Certificate of analysis result against benchmark

API imports, 2025	China share of API imports	6-APA from China	Inputs fully China dependent	API trade balance FY25
$7.4B WATCH	74% FAIL	96% FAIL	25 to 35 FAIL	+₹2,285 Cr PASS
top 5 categories $6.2B (84%)	₹29,064 of ₹39,215 Cr, FY25	penicillin salts about 93%	HS codes, DGCI&S FY25	exports ₹41,500 Cr > imports

E1 Dependency chain: who supplies whom

China KSM and intermediates
- 40 to 50% price cuts on PLI molecules, 2025
- ~72% API import share by value, FY24

→

Indian API makers
- ₹41,500 Cr API exports, FY25
- 56,800 t PLI capacity a year

→

Indian dosage forms
- 75.7% of pharma exports
- $31.1B total exports, FY26

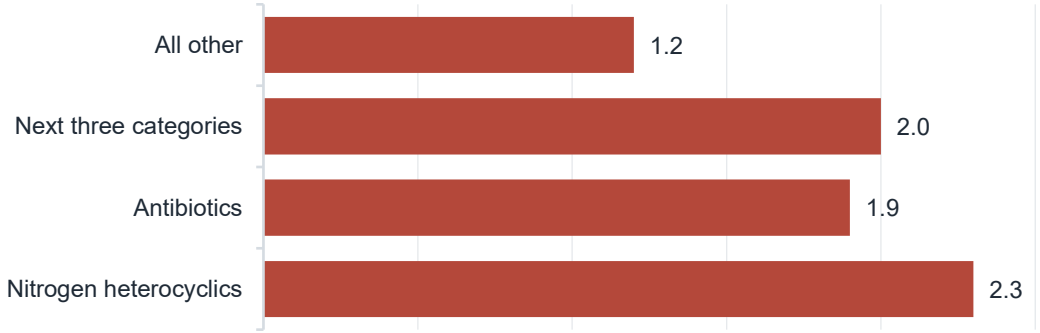
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Buyers: US, Europe, Africa
- ~30% US share of exports, FY26
- $8.1B Q1 FY27 exports, +6.8%

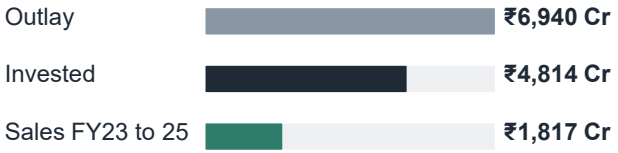
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Sun Pharma's position
- ₹2,185 Cr external API sales, FY26
- n.d. KSM origin by molecule: not disclosed

E2 What India imports: API categories, 2025, $B



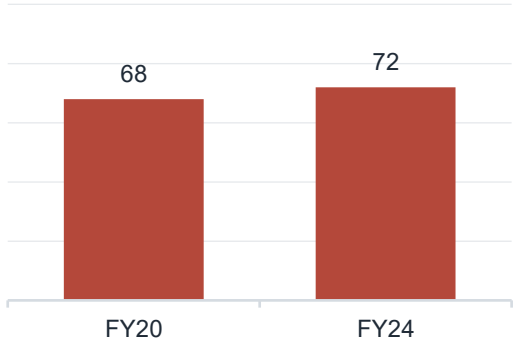
E3 Bulk drug PLI: money in, output still small



41 target products; 38 projects commissioned; output was ₹455 Cr of exports over three years.

Capacity is built; price is the gap: a 5 to 10% incentive does not close a 30 to 40% cost gap.

E4 Import share by value, %



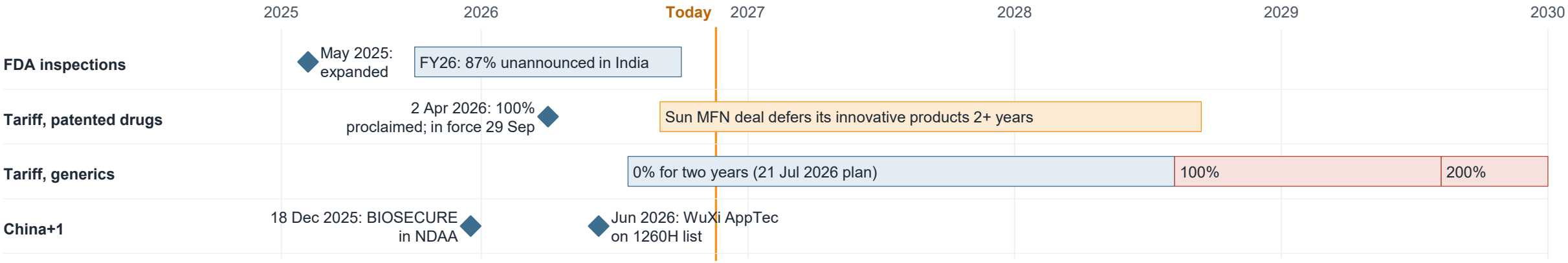
Source: NITI Aayog Trade Watch via Upstox and Outlook (Jun 2026); Lok Sabha reply 25 Jul 2025 via Business Today; DGCI&S via BioSpectrum India; Pharmaceutical Industrial India (FY25 API trade); Whalesbook (6-APA); BioSpectrum (price cuts, cost gap); Pharmexcil (FY26, Q1 FY27); Sun Q4 FY26 release. Trade balance derived.

So what **Self reliance is a decade project; a company cannot wait for it and must know its KSM map molecule by molecule.**

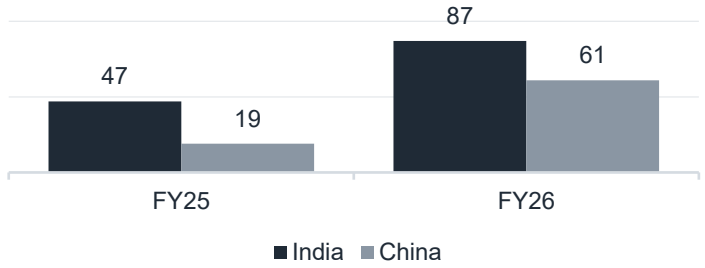
X4 In 18 months the rules changed at both ends: surprise FDA visits, tariff clocks and BIOSECURE now price access to the US

Certificate of analysis result against benchmark	Unannounced FDA visits, India	FDA drug warning letters, FY25	India pharma exports, FY26	US share of exports	India CDMO market
	87% WATCH	**303** WATCH	**$31.1B** INFO	**~30%** WATCH	**$7B** PASS
	47% in FY25; China 61%	+59% on 190 in FY24	+2.1%; US about $9.5B	about 35% in FY25	to $14B by 2028 (BCG)

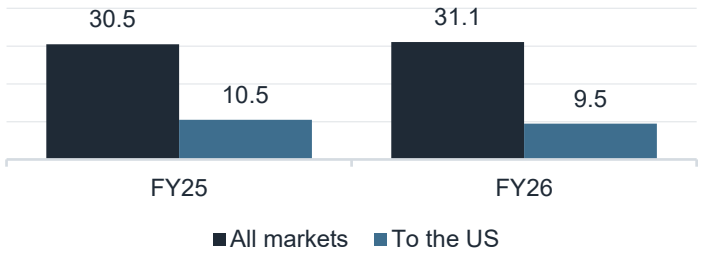
E1 The new clocks, 2025 to 2029 (dates as announced)



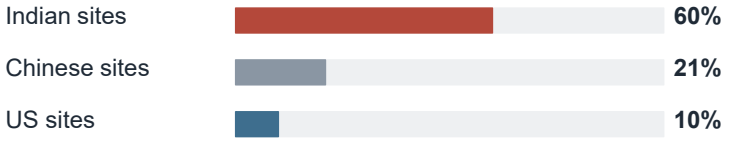
E2 Unannounced share of FDA drug inspections, %



E3 India's pharma exports, $B



E4 Data integrity cited in warning letters, by site



India's CDMO share is 2 to 3% of a $140B market; the China+1 gain goes to plants that pass a surprise visit.

Source: RAPS (3 Nov 2026, FDA's Elizabeth Miller); FDA press release (May 2025); Frier Levitt and IntuitionLabs (warning letters, Oct 2026); White House proclamation (2 Apr 2026); IndiaLaw LLP; The Wire and GTRI (21 Jul 2026 plan); Sun filing (1 Sep 2026); Syngene (BIOSECURE); Pharmexcil via Sahi and Business Standard; BCG (Feb 2025).

So what **Compliance and location now price US access; India wins China+1 share only where plants pass surprise visits.**

X5 Sun makes medicines in 15 countries and sells in about 100, while India's exports still lean on North America for a third of value

Certificate of analysis result against benchmark

India pharma exports, Q1 FY27	North America share	Formulations in exports	Sun exports, standalone	Sun sites
$8.1B PASS	34.3% WATCH	73.9% INFO	72.3% INFO	41 to 43 INFO
+6.8% on Q1 FY26	US alone 30.9%	$5.98B of $8.1B	of turnover, BRSR FY26	in 15 countries; 6 R&D centres

E1 Sun's footprint: where it makes, researches and sells (schematic, not a map)

Percent in a tile: share of Sun sales, Q2 FY27

M Make R R&D S Sell

Canada M R S	Romania M S	Hungary M	Russia M S	China KSM source	Japan M S
USA M R S 27%	Israel M R S	Egypt M	India M R S 35%	Bangladesh M S	
Brazil S	Morocco M	Nigeria M		Malaysia M	
		South Africa M S			Australia M S



US sites are the only ones inside the 2028 tariff wall; the other 14 make countries export into it.

Organon adds 140 markets and 6 plants in Europe and emerging markets, none in the US.

China makes no Sun product here but supplies 74% of India's imported APIs (p13).

E2 Sun sales by region, Q2 FY27, % of total

India	34.5%
United States	26.9%
Emerging markets	20.7%
Rest of world	14.3%
API and other	3.6%

E3 Where India's medicines go, Q1 FY27

North America	34.3%
Four regions*	~75%

Top destinations by value, ranked:

1 US 2 Brazil 3 UK 4 Netherlands 5 France

*North America, Europe, Africa, Latin America and the Caribbean together.

Source: Pharmexcil via BioSpectrum and News Arena (Q1 FY27); Sun BRSR FY26 (export share, standalone); GlobalData and Sun annual report via Pharma Manufacturing (sites, Dec 2025); Sun reporting boundary (R&D centres); Sun Q2 FY27 call; ICRA (Organon). Photo: Pexels.

So what **The footprint is global but the profit pool is two countries; the tariff decides which plants still count.**

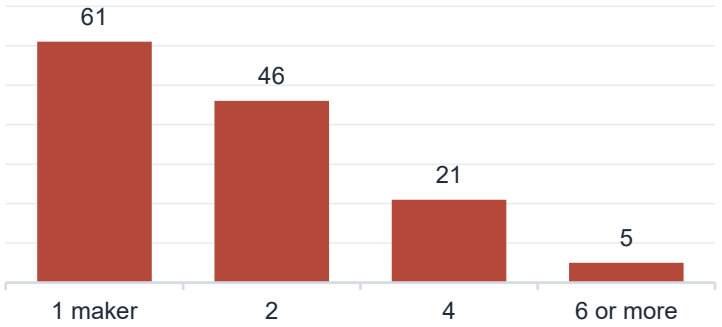
X6 Generics are scored on entrants, share and inspections: each added rival cuts the price, so winners file first and keep plants clean

Certificate of analysis result against benchmark

Price vs brand, 1 generic maker	Price vs brand, 6+ makers	Indian market, MAT Sep 2026	Sun India share	Volume growth, Q2 FY27
61% INFO	**<5%** FAIL	**₹2,618B** INFO	**8.6%** PASS	**6.7%** PASS
AMP 39% lower (FDA)	over 95% lower	Pharmarack via Sun	rank 1; 8.3% a year earlier	Sun, against IPM 1.8%

E1 US generic price, % of the brand price before entry

by number of generic makers; AMP basis, entries 2015 to 2017



Hatch Waxman gives the first Paragraph IV filer 180 days alone; the curve is why that window is worth fighting for.

E2 The India scorecard (IPM)



No. 1
Rx rank in 12 doctor categories

15
launches in Q2 FY27

50 to 60%
of growth from volume and new products

Sun volume	+6.7%
IPM volume	+1.8%

Management: the rest of growth is price, which NLEM caps limit.

E3 Native KPIs and Sun's latest reading

MAT share value share of IPM, 12 months	8.6%	Strong
Rx rank prescriptions by doctor type	No. 1	Strong
ANDAs pending US generic launch queue, Q1 FY27	119	Track
First to file Paragraph IV exclusivity	n.d.	Track
FDA site status OAI, VAI, NAI; import alert	3 flagged	Weak
R&D % of sales guide 6 to 7%	4.8%	Behind
Gross margin mix and price	80.8%	Strong
PCPM sales per rep per month	n.d.	Track

E4 Where the scores come from: the field's own sources

- Pharmarack and IQVIA MAT
- SMSRC prescription audit
- FDA Orange Book, Paragraph IV list
- FDA inspection dashboard
- Pharmexcil export data
- Sell side US price erosion curves

n.d.: not disclosed by Sun.

Source: FDA, Generic Competition and Drug Prices (Dec 2019) via Pharmacy Times; Sun Q2 FY27 call (IPM, share, volume, launches, growth split) via FactIQ; Sun Q1 FY27 (ANDAs); 21 USC 355(j) (180 days). Photo: Pexels.

So what **Entrant count, not volume, sets US generic profit; India rewards share and prescription rank instead.**

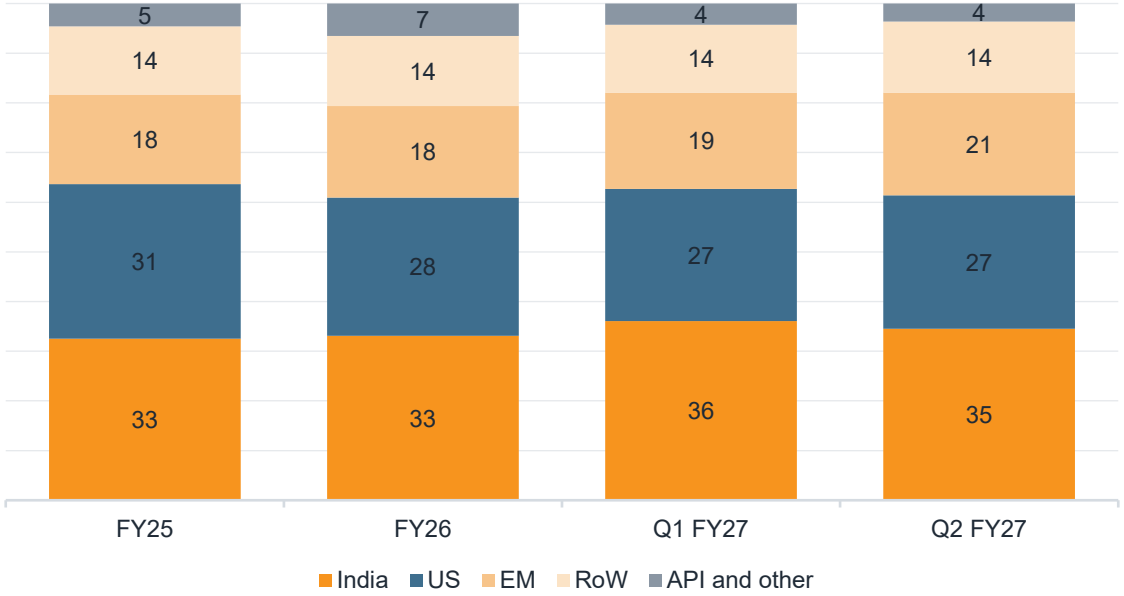
X7 Sun's centre of gravity moved: India grows 17%, innovative medicines are 21% of sales, and the US share slid from 31% to 27%

Certificate of analysis result against benchmark

Sales, FY26	EBITDA margin, FY26	India growth, Q2 FY27	India market share	US share of sales
₹58,220 Cr	30.3%	+17.3%	8.6%	26.9%
+11.9% on FY25	peers 20 to 31%	volume 6.7% vs IPM 1.8%	8.1% in Mar 2025; rank 1	31.1% in FY25
PASS	PASS	PASS	PASS	WATCH

E1 Sales by business, % of total

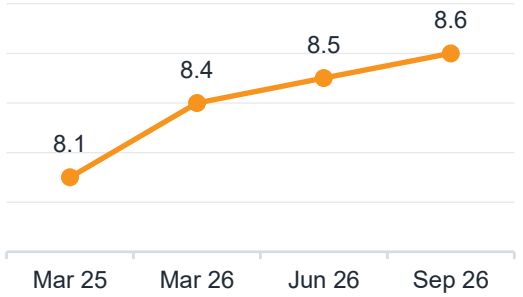
FY25, FY26 from annual figures; Q1 and Q2 FY27 from quarterly shares (derived)



Innovative medicines, % of sales

FY25	FY26	Q1 FY27	Q2 FY27
19.7%	20.7%	21.9%	21.1%

E2 India market share, % (Pharmarack MAT)



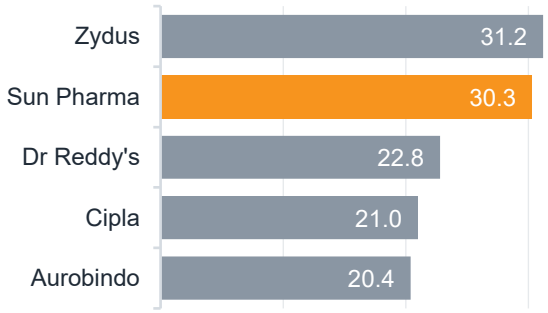
E3 What drives India

No. 1 in Rx in 12 doctor categories (SMSRC Q2)

37 launches in FY26; 11 in Q4

No. 2 generic semaglutide in India; auto injector

E4 EBITDA margin FY26, %: Sun against listed peers



Revenue FY26, ₹ Cr	
NSE ZYDUSLIFE	27,148
NSE SUNPHARMA	58,220
NSE DRREDDY	~33,500
NSE CIPLA	28,163
NSE AUROPHARMA	33,653

Source: Sun Pharma Q4 FY25, Q4 FY26, Q1 and Q2 FY27 releases and calls; Pharmarack via Sun; SMSRC via Sun; peers' FY26 releases (Zydus margin derived from EBITDA ₹8,475 Cr on ₹27,148 Cr). Mix: India share as reported, other regions from US$ sales over total implied by the innovative share.

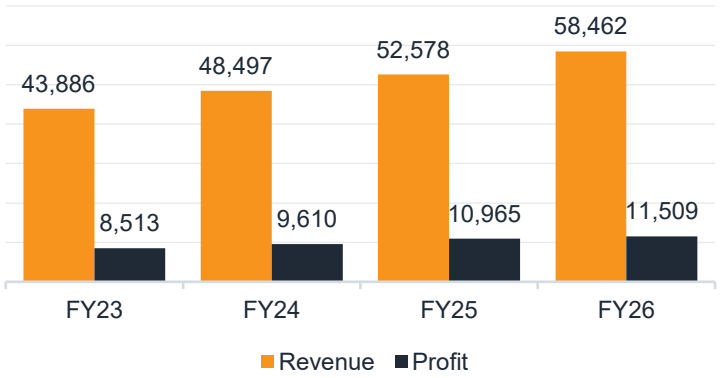
So what **Growth and margin now come from India and innovative medicines; US generics are the drag to manage, not the engine to rebuild.**

X8 Revenue compounds at 10% a year, but profit and cash have lagged since FY25, and H1 FY27 profit fell 10% on one-off charges

Certificate of analysis result against benchmark

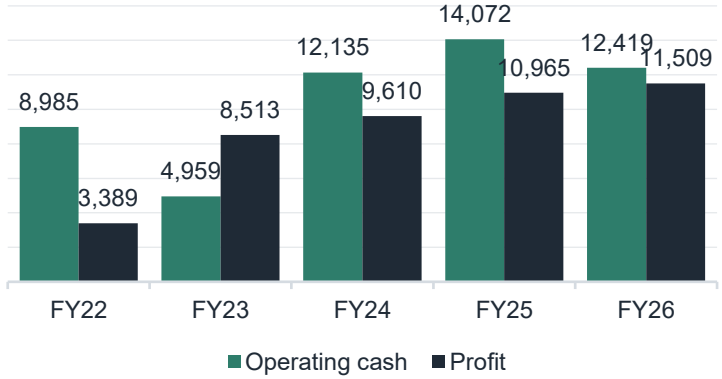
Revenue from operations, FY26	Profit, FY26	Operating cash, FY26	EBITDA growth, H1 FY27	Net cash, Q2 FY27
₹58,462 Cr PASS	₹11,509 Cr WATCH	₹12,419 Cr WATCH	+3.8% WATCH	$3.3B PASS
+11.2%; 3 year CAGR 10%	+5%; margin 19.7%	1.08x profit; 1.28x in FY25	sales +11%; margin 29.1%	before Organon; NCDs raised

E1 Revenue and profit, ₹ Cr, consolidated



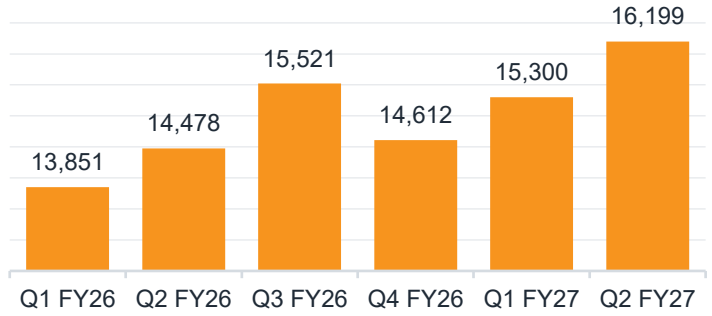
Profit margin: FY23 19.4%, FY24 19.8%, FY25 20.9%, FY26 19.7%

E2 Cash from operations against profit, ₹ Cr



Cash to profit, x: 2.65, 0.58, 1.26, 1.28, 1.08. FY22 profit was cut by a Q4 loss of ₹2,227 Cr; FY23 cash dipped (cause not analysed).

E3 Quarterly revenue and profit, ₹ Cr



Profit: profit for the period, Q3 FY26 3,381; Q4 2,710; Q1 FY27 2,901; Q2 FY27 1,995

Q2 FY27: attributable profit ₹1,989 Cr against adjusted ₹3,162 Cr; litigation provision and Organon costs.

E4 Margin stack, H1 FY27, % of sales

Gross margin	80.6%
EBITDA	29.1%
Profit (reported)	15.5%

E5 Cost lines that moved

- **Employee cost 19.5% of revenue** 19% in FY25; ₹11,419 Cr
- **Tax rate 28.3% in Q2** 24.7% a year ago
- **Forex gain ₹79 Cr in Q2** lower than Q2 FY26

E6 What it means for the case

Split three ways, Q2 FY27: PBT before exceptional items ₹4,428 Cr, +6.3%; adjusted profit ₹3,162 Cr, +1.4%; reported ₹1,989 Cr after a ₹1,269 Cr one-time loss. FY26 cash was 1.08x profit.

Source: Sun Pharma consolidated results FY22 to Q2 FY27, NSE XBRL via FactIQ (revenue from operations, profit for the period, operating cash flow, employee cost); Q2 FY27 call via FactIQ (EBITDA, margins, tax, net cash, adjusted profit). Ratios derived in ledger_sun2; exceptional item and pre exceptional PBT from PTI via The Hans India (30 Oct 2026).

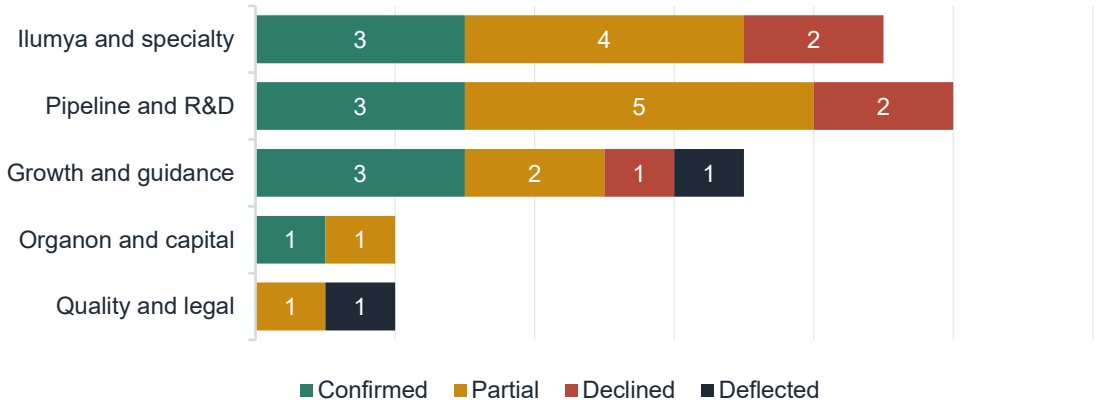
So what **Growth is intact; reported profit trails it on lenalidomide, a one-time loss and deal costs, not on weaker operations.**

X9 On the Q2 FY27 call management fully answered 10 of 30 analyst questions; Ilumya, R&D timing and the Assam plant stayed open

Certificate of analysis result against benchmark

Questions pressed, Q2 FY27	Answered fully	Partly, declined, deflected	FY27 growth guide	R&D guide FY27
30 INFO	**10** WATCH	**67%** WATCH	**Kept** PASS	**6 to 7%** WATCH
call of 30 Oct 2026	one in three	13 partial, 5 declined, 2 deflected	high single digit; H1 +11%	Q2 at 4.8% of sales

E1 Analyst questions by topic and how they were answered, count



E2 Promise tracker: what management guided against what it delivered

FY27 revenue: high single digit growth	H1 +11%; guide kept	Ahead
R&D at 6 to 7% of sales	Q2 4.8%; ramp promised next quarter	Behind
Organon close in Q4 FY27	approvals in most regions	On track
Ilumya PsA: soft launch Nov 2026	sales force trained; full launch later	On track
Ilumya back to normal growth	'next few quarters'	Open
Assam eye care plant	11 products recalled; regulator halt	Open

E3 In their words (verbatim, short)

"part of it is execution as well" Richard Ashcroft, Sun Pharma, on the Ilumya slowdown

"we'll stick to what guidance we have given" Kirti Ganorkar, Sun Pharma, on FY27 guidance

"acquisition relating cost will continue until day one" Jayashree Satagopan, CFO

E4 Read across to our hypotheses (p10)

- H4 Ilumya: CEO cites execution, not only market; supports a fixable slowdown
- H6 India: volume 6.7% against IPM 1.8%; supports volume led growth
- H5 Organon: borrowing cost and goodwill not given; leverage test stays open
- H1 US generics rose QoQ on 5 launches; network cost still undisclosed

Source: Sun Pharma Q2 FY27 earnings call, 30 Oct 2026: 30 analyst pressure points and management claims via FactIQ (response quality as tagged; topic grouping ours). Quotes verbatim from the transcript.

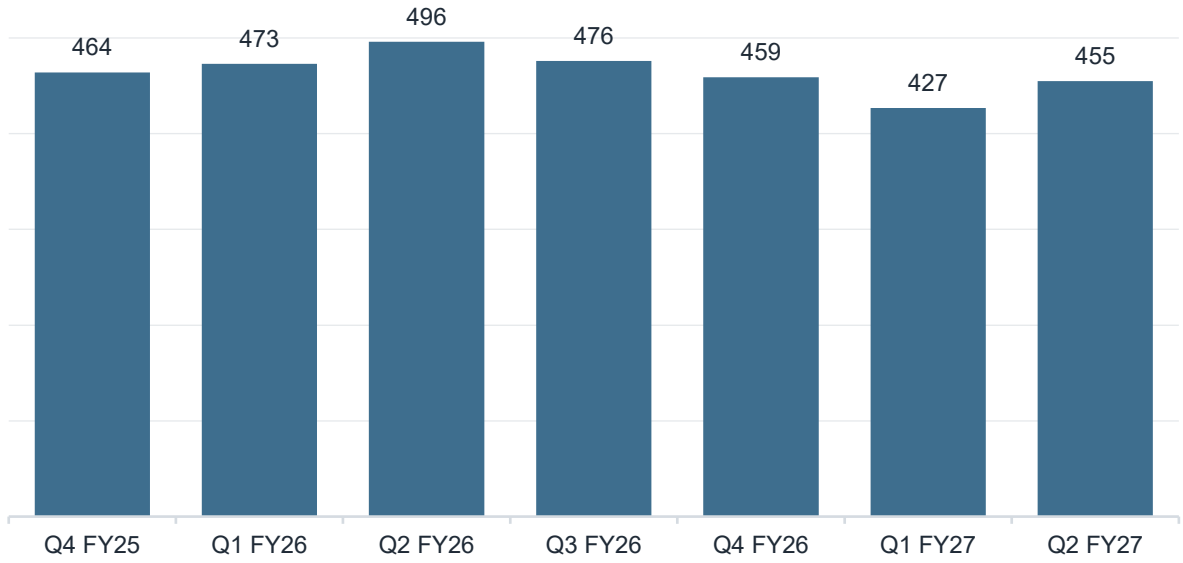
So what **Management guides conservatively on totals and stays silent on the parts that decide the case: Ilumya, R&D and quality.**

X10 US sales fell 9.7% and 8.2% in the last two quarters as lenalidomide faded, yet Sun held up better than generics heavy peers

Certificate of analysis result against benchmark	US formulations, FY26	Q1 FY27	Q2 FY27	US ANDAs approved, Q1 FY27	US NDAs approved
	$1,904M WATCH	$427M FAIL	$455M FAIL	558 INFO	57 INFO
	-0.9% on $1,921M	-9.7% YoY	-8.2% YoY	119 pending, 28 tentative	13 awaiting approval

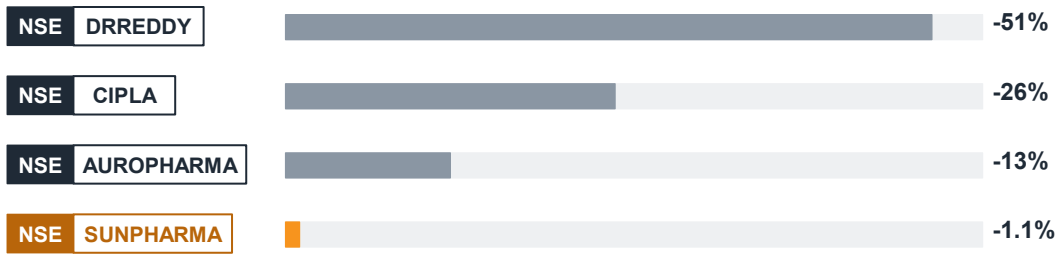
E1 US formulation sales by quarter, US$ M

Q1 and Q3 FY26 derived from reported growth and the FY26 total



Since Q2 FY26, Sun's US innovative sales exceed its US generics (company).

E2 US or North America sales change, Q4 FY26 YoY, %



Decline in US or North America sales. Dr Reddy's: North America generics; Cipla: North America in ₹; Aurobindo, Sun: US formulations.

E3 What moves the US book: four drivers

- **Lenalidomide fade** 'largely' the YoY fall (CEO, Q2 FY27); peers hit harder
- **Halol import alert** since Dec 2022; site was about 3% of sales at the time; no new launches from it
- **Price competition** added rivals on some products; buyers concentrated (p12)
- **Launch cadence** 5 US generic launches in Q1 FY27 and 5 in Q2 FY27

Source: Sun Pharma releases and calls Q4 FY25 to Q2 FY27 (ANDAs at Q1 FY27 via Indian Pharma Post; NDAs at Q4 FY26); Dr Reddy's, Cipla and Aurobindo Q4 FY26 releases via Medical Dialogues, Niftytrader and Indian Pharma Post; Citeline (Halol share, 2022); Business Standard (Nov 2025).

So what **The headline fall is lenalidomide; the open question is how much network cost the rest of the book should carry.**

X11 Eight Indian sites sit under four different FDA mechanisms; each limits launches or supply differently, so read the register site by site

Certificate of analysis result against benchmark	Import alert	Official action (OAI)	Warning letters	Consent decree provisions	OAI share, Indian plants
	1 (+3) FAIL Halol; decree sites also alerted	Baska FAIL and Halol after Jun 2025	2 WATCH Dadra, Mohali	4 WATCH ex Ranbaxy sites (CRISIL)	8% PASS global 13% (2025)

Site	State	Mechanism	Since	What it means commercially	Source
Halol	Gujarat	Import alert	Dec 2022	US border refusal, except products FDA lists for shortages; OAI after Jun 2025 inspection (8 observations); shortage exemptions only	CRISIL; Sun filings
Mohali	Punjab	Warning letter; consent decree	2022 to 2023	court ordered remediation; OAI Nov 2022; decree May 2023; approvals withheld	CRISIL; RAPS
Dadra	Dadra and Nagar Haveli	Warning letter	Jun 2024	public citation; site approvals usually wait for closure; open in 2026	CRISIL; RAPS
Baska	Gujarat	OAI	before Mar 2026	new US approvals held until re-inspection; marketed products continue	CRISIL; ICRA
Toansa	Punjab	Consent decree provisions	2014 (ex Ranbaxy)	court ordered terms (audits, certification) before US supply; import alert noted by CRISIL Jan 2024	CRISIL
Karkhadi	Gujarat	Consent decree provisions	legacy	court ordered terms (audits, certification) before US supply; subject to certain decree provisions	CRISIL
Paonta Sahib	Himachal Pradesh	Consent decree provisions	2012 (ex Ranbaxy)	court ordered terms (audits, certification) before US supply; import alert noted by CRISIL Jan 2024	CRISIL
Dewas	Madhya Pradesh	Consent decree provisions	2012 (ex Ranbaxy)	court ordered terms (audits, certification) before US supply; import alert noted by CRISIL Jan 2024	CRISIL

To add from the FDA data dashboard and Sun: FEI number, last inspection date, products registered at each site, US sales from each site, remediation spend.

Source: CRISIL rating rationales on Sun Pharma (Jan 2024, Mar 2026, 13 Oct 2026); ICRA (Mar 2026); RAPS (Dadra warning letter Jun 2024; Mohali decree May 2023); Sun filings on Halol (Sep 2025); Business Standard via Vision IAS (OAI shares). Commercial meaning: our summary of FDA practice, not legal advice.

So what **An import alert, an OAI, a warning letter and a decree cost different amounts; size each site before deciding to move or fix.**

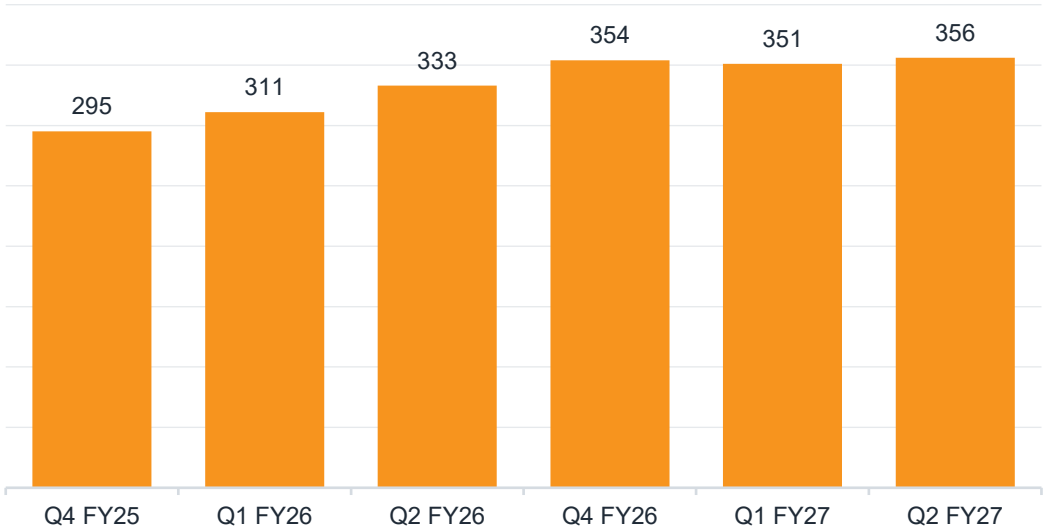
X12 Innovative medicines crossed $1.4 billion, but growth slowed from 20% to 7% in two quarters as Ilumya matured

Certificate of analysis result against benchmark

Innovative sales, FY26	Growth, Q2 FY27	Share of sales, Q2 FY27	R&D, Q2 FY27	Novel entities in clinic
$1,420M PASS	**+6.9%** WATCH	**21.1%** PASS	**4.8%** WATCH	**5** INFO
+16.8% on $1,216M	+20.1% in Q4 FY26	19.7% in FY25	of sales; guide 6 to 7% for FY27	plus in-licensed assets

E1 Innovative medicines sales by quarter, US$ M, with YoY growth

Q1 and Q2 FY26 derived from reported growth; Q3 FY26 not in our sources



Management: Ilumya's slowdown is not saturation; it needs more sales force engagement with dermatologists (Q2 FY27 call).

E2 The shelf: what earns today

Ilumya	$681M FY25; psoriatic arthritis label approved Q2 FY27
Leqselvi	1,000+ prescribers by Jun 2026; most covered lives
Unloxcyt	skin cancer; launched 2026 via Checkpoint (2025)
Cequa, Winlevi, Odomzo	the rest of the US branded shelf

E3 Pipeline: stage and next milestone

	Ph1	Ph2	Ph3	Filed	Market	
GL0034, type 2 diabetes	■	■				Ph2 data 2H CY27
Fibromun, sarcoma	■	■				Ph3 to start
Nidlegy, melanoma (EU)	■	■	■			EMA resubmitted
MM-II, knee pain	■	■				seeking partner
Lerodalcibep, PCSK9	■	■	■			in-licensed ex US, China

Bars show the phase reached. GL0034 is the only novel asset with a dated readout.

Source: Sun Pharma Q4 FY25, Q4 FY26, Q1 and Q2 FY27 releases and calls (pipeline as at Q4 FY26); Business Standard (Q2 FY26 growth, Nov 2025); Sovrenn call summary (Ilumya comment); Indian Pharma Post (lerodalcibep, Nov 2026).

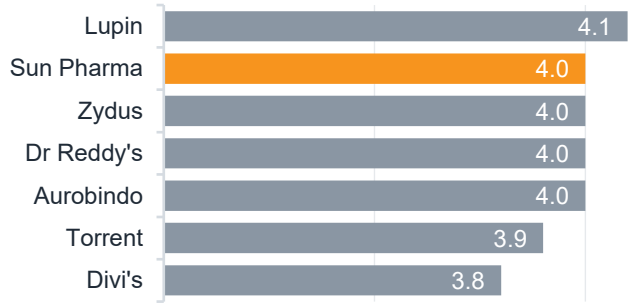
So what **The engine is real but leans on one product; Organon adds breadth, not a new growth curve.**

X13 Sun is a well rated, stable employer with few women in its ranks, and its compliance load is rising on three fronts at once

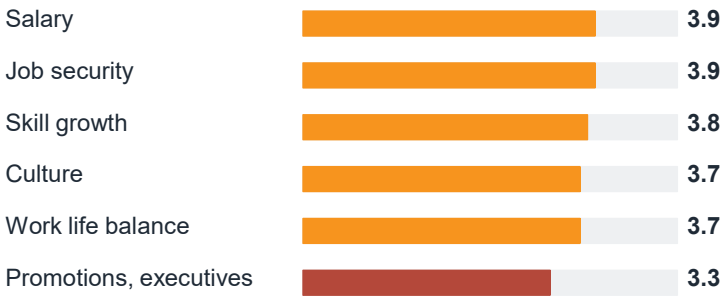
Certificate of analysis result against benchmark

Permanent employees	Employee rating	Women among employees	Turnover, FY26	Open regulatory actions
16,121 INFO	4.0 / 5 PASS	11.2% WATCH	13.18% PASS	4 FAIL
plus 5,393 permanent workers	industry 3.9; about 5.6k reviews	30% by 2040 needs +1.3 pts a year	13.9% in FY25	FDA at 3 sites; CDSCO at Assam

E1 Employee rating out of 5 (AmbitionBox; axis from 3.0)



E2 Sun by category, out of 5



E3 Workforce facts, BRSR FY26 (standalone)



11.2% women among employees; 5.6% among workers

73% female to male median pay, employees (₹7.4L vs ₹10.0L)

9 sexual harassment complaints filed, all resolved

Women, employees — 11.2% vs 30% by 2040

Safety: zero fatalities; injury rate 0 for employees, 0.088 for workers. Turnover 13.6%, 13.9%, 13.2% over FY24 to FY26.

Review themes: HR conduct, thin staffing, middle management.

E4 Compliance register: regimes that bind Sun now

US FDA cGMP Halol import alert; Mohali; Dadra	Action
CDSCO, Assam eye care halt 20 Aug; 332 batches	Action
Revised Schedule M all Indian units since 1 Jan 2026	Watch
UCPMP 2024 no gifts or travel to doctors; CEO sign off	Rule
US price fixing suits $200M approved Jan; rest settled Sep	Closed
Organon approvals most regions cleared	Closed
Companies Act ₹14.5 lakh MCA penalty, DIN disclosure	Rule

E5 Working on this case: our team's rules

- Public sources only; no inside information while Organon is pending
- No contact with doctors that UCPMP would treat as an inducement
- No personal data collected; DPDP Act 2023 applies to any we receive
- Site visits follow GMP gowning and data integrity (ALCOA+) rules

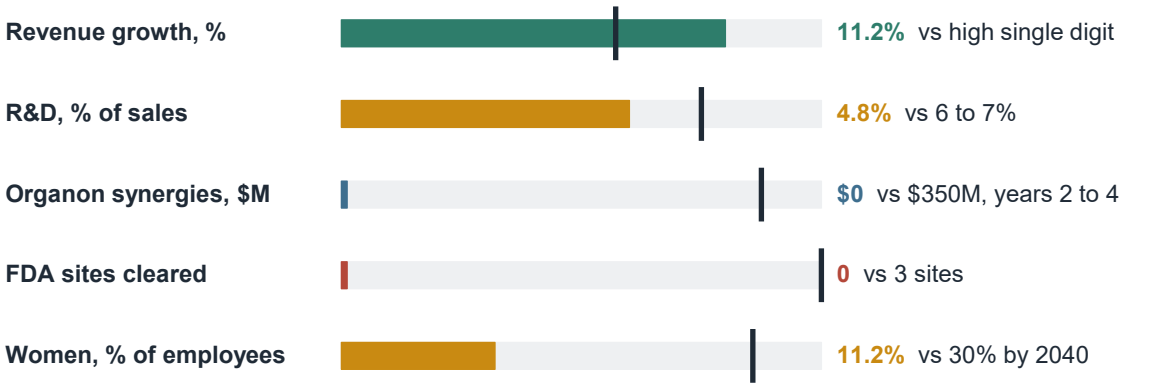
Source: Sun BRSR FY26 (workforce, pay, complaints, safety, MCA penalty); Sun sustainability report (30% target); AmbitionBox (accessed Nov 2026); Reuters, 30 Oct 2026 (Assam); Bloomberg Law (Jan 2026), Sun filing (Sep 2026); CDSCO via Business Standard; DoP UCPMP 2024; Sun Q2 FY27 call. Photo: Pexels.

So what **People are an asset; quality and representation are the gaps. Fix the quality system before scaling plants.**

X15 Sun's stated goals are in reach on growth and the deal, but R&D spend and plant quality trail its own targets, and diversity needs a faster pace

Certificate of analysis result against benchmark	Growth against guide	R&D against guide	Indian sites cleared by FDA	Net debt at close	Women, employees
	+11.2% PASS	4.8% WATCH	0 of 3 FAIL	2.3x WATCH	11.2% WATCH
	guide: high single digit	guide 6 to 7% of sales	Halol, Mohali, Dadra	1.1x FY30, half of cash to debt	on a 14 year path to 30%

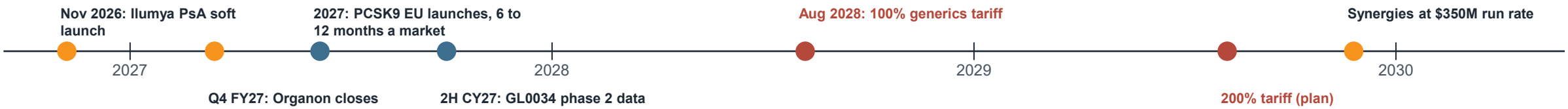
E1 Today against the aspiration (black tick = target)



E2 Gaps the plan must close, ranked by value at stake

1. **Quality system** 3 FDA sites and the Assam halt; one standard must hold at 41 sites
2. **Ilumya execution** slowdown is partly execution (CEO); PsA label is the reset
3. **US generics network** flat to down; 100% tariff from Aug 2028 unless made in the US
4. **Organon integration** 70+ products, 140 countries; goodwill and debt cost not yet given
5. **R&D pace** trial recruitment sets spend; below guide for two quarters
6. **People** 11% women; executives rate promotions 3.3 of 5

E3 Forward milestones, 2026 to 2030 (as announced or planned)



Source: Sun Q2 FY27 call via FactIQ (guide, R&D, Organon, Ilumya, PCSK9); Sun BRSR FY26 and sustainability report (women target); Sun pipeline at Q4 FY26 (GL0034); Organon deal release (synergies); White House plan 21 Jul 2026 (tariffs); FDA status per p21. Leverage: our capital model (p8).

So what **The aspirations are credible only if quality comes first: plant clearance gates US growth, debt paydown and the tariff answer.**