

February 1, 2025

Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	2,275		2,100	
Sales (Rs. m)	5,76,090	6,42,620	5,85,384	6,50,544
% Chng.	(1.6)	(1.2)		
EBITDA (Rs. m)	1,66,704	1,95,786	1,67,390	1,96,875
% Chng.	(0.4)	(0.6)		
EPS (Rs.)	54.8	65.0	54.6	65.1
% Chng.	0.4	(0.2)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	485	527	576	643
EBITDA (Rs. bn)	130	152	167	196
Margin (%)	26.8	28.8	28.9	30.5
PAT (Rs. bn)	96	118	132	156
EPS (Rs.)	41.8	49.0	54.8	65.0
Gr. (%)	14.4	17.2	11.9	18.6
DPS (Rs.)	14.0	16.4	16.4	17.6
Yield (%)	0.8	0.9	0.9	1.0
RoE (%)	16.0	17.4	17.3	18.1
RoCE (%)	16.2	18.0	18.2	19.5
EV/Sales (x)	8.5	7.7	6.9	6.1
EV/EBITDA (x)	31.6	26.9	24.0	20.0
PE (x)	41.7	35.6	31.8	26.8
P/BV (x)	6.6	5.9	5.2	4.5

Key Data

SUN.BO | SUNP IN

52-W High / Low	Rs.1,960 / Rs.1,367
Sensex / Nifty	77,501 / 23,508
Market Cap	Rs.4,184bn / \$ 48,307m
Shares Outstanding	2,399m
3M Avg. Daily Value	Rs.3562.58m

Shareholding Pattern (%)

Promoter's	54.48
Foreign	18.04
Domestic Institution	18.43
Public & Others	9.05
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(7.5)	1.4	22.9
Relative	(6.8)	7.0	13.8

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Another strong quarter aided by specialty and domestic sales

Quick Pointers:

- Global specialty sales adj for milestone income grew 18% YoY to \$325mn.
- The recognition of certain grants has resulted in an increase in other income.

Sun Pharma (SUNP) Q3FY25 EBITDA (+20% YoY) adjusted for milestone was largely in line with our estimates, aided by higher specialty and domestic formulation sales. Overall specialty sales, GMs continue to remain healthy. Over last few years SUNP dependency on US generics has reduced and company's growth is more functional on specialty, RoW and domestic pharma business that has strong growth visibility. Though FY26 expenses may remain elevated given company are in investment phase to ramp up specialty pipeline; timely launch of Leqselvi along with progress of other pipelines will be key to SUNP's specialty pipeline beyond FY25. Our FY26/FY27 earnings estimates broadly remains unchanged. We maintain 'BUY' rating with revised TP of Rs.2,275 as a roll forward based on 35x FY27E earnings. SUNP remains our top pick in large cap space.

Revenue growth aided global specialty and domestic formulation: Revenues came in at Rs 137bn up 11% YoY. There was \$45mn milestone income. Adj for this revenue were in line with our estimate. Domestic formulation growth was healthy at 14% YoY. US sales came in \$474mn (\$517mn in Q2FY25). We est \$525mn. Global specialty sales adj for milestone income was up 17.5% YoY and 14% QoQ at \$325mn. RoW markets grew by 17% which included milestone income while EMs growth stood at 12% YoY. API sales were up 22% YoY.

In-line EBITDA adj for milestone income: Reported EBITDA came in at Rs 42bn. Adj for milestone EBITDA came in at Rs 38.1bn (up 20% YoY, flat QoQ) in line with our estimates. Adj for milestone OPM came in at 28.7% flat QoQ. GMs adj milestone came in at 77.6%, down 200bps QoQ (flat YoY). Other expenses came in lower at Rs 42bn, up 7% YoY (down 3% QoQ). R&D spend was flat YoY, (6% of revenues) at Rs 8.45bn. Other expenses ex R&D was down 4% QoQ. Other income came in higher at Rs 4.7bn. Reported PAT of Rs34bn; up 38% YoY. EPS adj for milestone came in at Rs 13/share.

Key concall takeaways: Domestic formulation: Growth driven by increased market share, new product launches, and higher volumes. New launches contributed more than 50% to overall growth. Therapies such as cardiac and diabetes largely outperformed. Launched 12 products during the quarter. MR strength at 14,000. **US:** Launched 4 generic products in US markets. gRevlimid sales declined QoQ. Inventory pile up at partners end impacted the sales QoQ. **Global Specialty Sales:** Growth in the key specialty products continues to remain strong. Ilumya, Cequa, Odomzo, Winlevi continue to grow at healthy run-rate. Global specialty R&D spend contributed 41% to the overall R&D spend. Mgmt cited awaiting outcome on the court judgment for launching Leqselvi, patent expires in

Dec 2026. If litigation goes against Sun, launch will happen only post expiry. Pre-launch expenses for Leqselvi came down QoQ. Odomzo has become a significant business in Europe. **EMs:** Brazil, Romania, Mexico, Russia markets continues to aid growth. The focus is on expanding the specialty business (Ilumya) in Japan, as the generic market faces pricing challenges. Ilumya performs well in the Chinese markets. **RoW:** Q3FY25 included milestone income. **Other Highlights:** Growth in specialty portfolio was driven equally by US and non US markets. Focus continues to remain in dermatology and ophthalmology therapies under specialty portfolio.. Other operating income included PLI grant. R&D spending guidance for FY25 has been revised to less than 7% on account of delay in clinical trials.

Exhibit 1: 3QFY25 Result Overview (Rs mn): Higher specialty sales aided growth, Adj EBITDA in line

Y/e March	Q3FY25	Q3FY24	YoY gr. (%)	Q2FY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Net Sales	1,36,755	1,23,807	10.5	1,32,914	2.9	3,96,196	3,65,140	8.5
Raw Material	27,405	27,369	0.1	26,942	1.7	81,102	82,822	(2.1)
<i>% of Net Sales</i>	<i>20.0</i>	<i>22.1</i>		<i>20.3</i>		<i>20.5</i>	<i>22.7</i>	
Personnel Cost	25,523	23,633	8.0	24,777	3.0	74,846	71,297	5.0
<i>% of Net Sales</i>	<i>18.7</i>	<i>19.1</i>		<i>18.6</i>		<i>18.9</i>	<i>19.5</i>	
Others	41,903	39,282	6.7	43,086	(2.7)	1,23,635	1,12,066	10.3
<i>% of Net Sales</i>	<i>30.6</i>	<i>31.7</i>		<i>32.4</i>		<i>31.2</i>	<i>30.7</i>	
Total Expenditure	94,831	90,284	5.0	94,805	0.0	2,79,583	2,66,185	5.0
EBITDA	41,924	33,523	25.1	38,109	10.0	1,16,613	98,955	17.8
<i>Margin (%)</i>	<i>30.7</i>	<i>27.1</i>		<i>28.7</i>		<i>29.4</i>	<i>27.1</i>	
Depreciation	6,306	6,221	1.4	6,259	0.7	19,116	19,063	0.3
EBIT	35,618	27,301	30.5	31,850	11.8	97,497	79,892	22.0
Other Income	4,656	2,502	86.1	3,540	31.5	13,522	7,483	80.7
Interest	515	347	48.3	692	(25.5)	(1,822)	1,649	(210.5)
PBT	39,759	29,456	35.0	34,698	14.6	1,09,197	85,725	27.4
Total Taxes	5,589	4,323	29.3	5,672	(1.5)	16,783	12,905	30.0
<i>ETR (%)</i>	<i>14.1</i>	<i>14.7</i>		<i>16.3</i>		<i>15.4</i>	<i>15.1</i>	
PAT	34,171	25,133	36.0	29,026	17.7	92,413	72,820	26.9
Minority Interest	142	443	(68.0)	(95)	NA	403	601	(32.9)
Share in loss of associates	-	-		-		-	-	
Reported PAT	34,029	24,690	37.8	29,121	16.9	92,010	72,220	27.4
Exceptional items	4,995	(548)		(1,281)		4,219	3,002	
Adj Pat	29,034	25,238	15.0	30,402	(4.5)	87,792	69,218	26.8

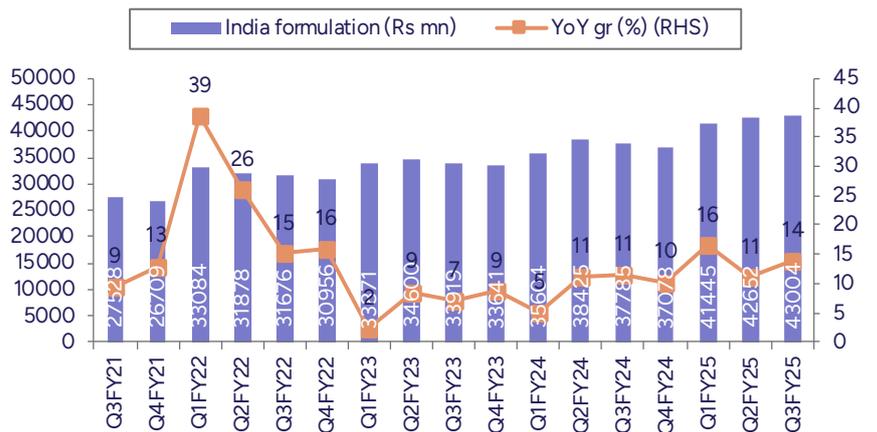
Source: Company, PL

Exhibit 2: Strong performance from domestic business, RoW supported by milestone income

Major sources of income	Q3FY25	Q3FY24	YoY gr. (%)	Q2FY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
API	5,678	4,660	21.8	5,338	6.4	15,962	15,028	6.2
% of Net Sales	4.2	3.8		4.0		4.1	4.2	
Formulation	1,28,258	1,16,263	10.3	1,27,078	0.9	3,75,185	3,42,447	9.6
% of Net Sales	95.5	95.6		95.8		95.6	95.3	
India	43,004	37,785	13.8	42,652	0.8	1,27,101	1,11,814	13.7
% of Net Sales	32.0	31.1		32.2		32.4	31.1	
International	85,254	78,478	8.6	84,426	1.0	2,48,084	2,30,633	7.6
% of Net Sales	63.4	64.6		63.6		63.2	64.2	
US formulations	40,030	39,736	0.7	43,274	(7.5)	1,22,199	1,13,948	7.2
% of Net Sales	29.8	32.7		32.6		31.2	31.7	
ROW formulations	45,224	38,743	16.7	41,152	9.9	1,25,885	1,16,685	7.9
% of Net Sales	33.7	31.9		31.0		32.1	32.5	
Others	434	644	(32.7)	226	91.6	1,111	1,975	(43.8)
Total Sales	1,34,370	1,21,568	10.5	1,32,642	1.3	3,92,258	3,59,450	9.1

Source: Company, PL

Exhibit 3: Growth trend continues in domestic formulation



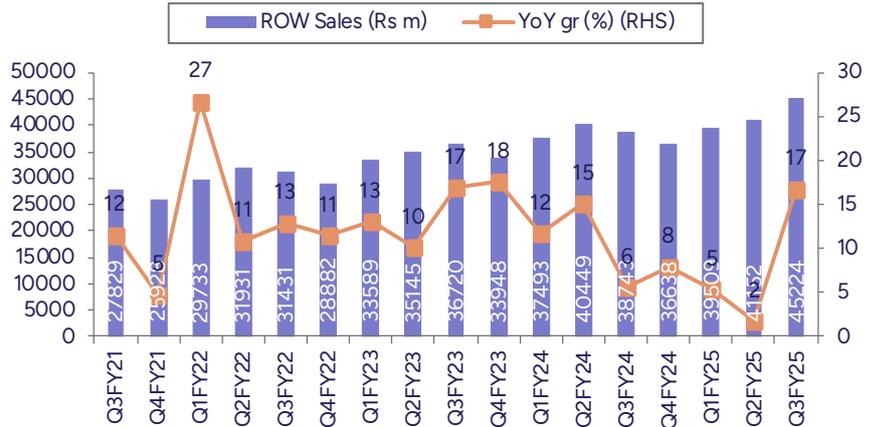
Source: Company, PL

Exhibit 4: gRevlimid sales declined QoQ



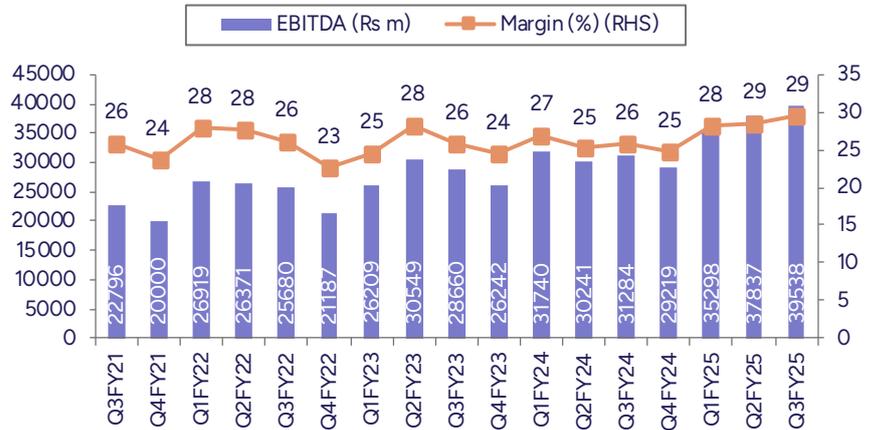
Source: Company, PL

Exhibit 5: Robust growth from RoW markets YoY



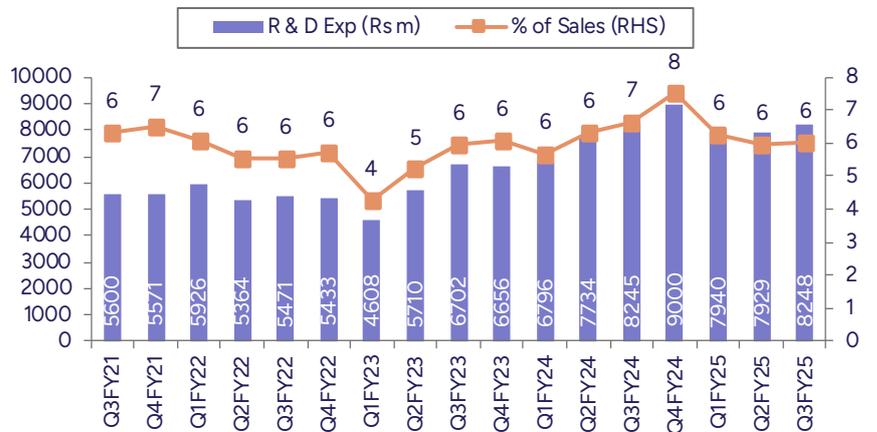
Source: Company, PL

Exhibit 6: Lower R&D spend and milestone income supported



Source: Company, PL

Exhibit 7: R&D guidance lowered than 7% for FY25E



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	4,84,969	5,26,931	5,76,090	6,42,620
YoY gr. (%)	10.5	8.7	9.3	11.5
Cost of Goods Sold	1,06,626	1,08,097	1,19,025	1,30,158
Gross Profit	3,78,342	4,18,834	4,57,064	5,12,462
Margin (%)	78.0	79.5	79.3	79.7
Employee Cost	94,291	99,005	1,06,926	1,15,480
Other Expenses	1,54,182	1,68,200	1,83,435	2,01,196
EBITDA	1,29,870	1,51,629	1,66,704	1,95,786
YoY gr. (%)	10.3	16.8	9.9	17.4
Margin (%)	26.8	28.8	28.9	30.5
Depreciation and Amortization	25,566	25,947	27,244	28,795
EBIT	1,04,304	1,25,682	1,39,460	1,66,992
Margin (%)	21.5	23.9	24.2	26.0
Net Interest	2,385	2,400	2,400	2,400
Other Income	13,542	17,400	19,400	20,902
Profit Before Tax	1,15,461	1,40,682	1,56,460	1,85,494
Margin (%)	23.8	26.7	27.2	28.9
Total Tax	14,395	22,480	24,307	28,884
Effective tax rate (%)	12.5	16.0	15.5	15.6
Profit after tax	1,01,066	1,18,203	1,32,153	1,56,609
Minority interest	337	400	400	400
Share Profit from Associate	(384)	(200)	(200)	(200)
Adjusted PAT	95,764	1,17,603	1,31,553	1,56,009
YoY gr. (%)	13.0	22.8	11.9	18.6
Margin (%)	19.7	22.3	22.8	24.3
Extra Ord. Income / (Exp)	4,582	-	-	-
Reported PAT	1,00,346	1,17,603	1,31,553	1,56,009
YoY gr. (%)	14.4	17.2	11.9	18.6
Margin (%)	20.7	22.3	22.8	24.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,00,346	1,17,603	1,31,553	1,56,009
Equity Shares O/s (m)	2,399	2,399	2,399	2,399
EPS (Rs)	41.8	49.0	54.8	65.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	4,00,716	4,22,716	4,47,716	4,72,716
Tangibles	2,60,935	2,75,261	2,91,540	3,07,819
Intangibles	1,39,781	1,47,455	1,56,176	1,64,897
Acc: Dep / Amortization	2,12,130	2,38,077	2,65,321	2,94,116
Tangibles	1,44,888	1,62,610	1,81,218	2,00,886
Intangibles	67,242	75,467	84,102	93,230
Net fixed assets	1,88,586	1,84,639	1,82,395	1,78,601
Tangibles	1,16,046	1,12,650	1,10,322	1,06,934
Intangibles	72,539	71,989	72,074	71,667
Capital Work In Progress	11,077	11,077	11,077	11,077
Goodwill	85,990	85,990	85,990	85,990
Non-Current Investments	1,50,258	1,50,258	1,50,258	1,50,258
Net Deferred tax assets	39,486	39,486	39,486	39,486
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	98,683	1,30,358	1,42,397	1,58,780
Trade receivables	1,12,494	1,44,842	1,58,219	1,76,422
Cash & Bank Balance	1,05,207	1,19,575	1,82,262	2,61,248
Other Current Assets	60,640	60,640	60,640	60,640
Total Assets	8,13,592	8,88,103	9,74,035	10,83,892
Equity				
Equity Share Capital	2,399	2,399	2,399	2,399
Other Equity	6,34,268	7,12,567	8,04,816	9,18,714
Total Networkth	6,36,668	7,14,966	8,07,215	9,21,113
Non-Current Liabilities				
Long Term borrowings	13	13	13	13
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	28,444	13,444	(1,556)	(16,556)
Trade payables	56,533	65,179	71,199	79,390
Other current liabilities	97,029	98,994	1,01,058	1,03,225
Total Equity & Liabilities	8,13,592	8,88,103	9,74,035	10,83,892

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	1,15,461	1,40,682	1,56,460	1,85,494
Add. Depreciation	25,566	25,947	27,244	28,795
Add. Interest	2,385	2,400	2,400	2,400
Less Financial Other Income	13,542	17,400	19,400	20,902
Add. Other	(16,989)	-	-	-
Op. profit before WC changes	1,26,423	1,69,029	1,86,104	2,16,688
Net Changes-WC	10,621	(53,477)	(17,406)	(24,307)
Direct tax	(15,694)	(22,480)	(24,307)	(28,884)
Net cash from Op. activities	1,21,350	93,072	1,44,391	1,63,497
Capital expenditures	(23,451)	(22,000)	(25,000)	(25,000)
Interest / Dividend Income	-	-	-	-
Others	(10,034)	-	-	-
Net Cash from Inv. activities	(33,486)	(22,000)	(25,000)	(25,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(33,899)	(15,000)	(15,000)	(15,000)
Dividend paid	(28,982)	(39,304)	(39,304)	(42,111)
Interest paid	(2,385)	(2,400)	(2,400)	(2,400)
Others	36,371	-	-	-
Net cash from Fin. activities	(28,895)	(56,704)	(56,704)	(59,511)
Net change in cash	58,970	14,368	62,687	78,986
Free Cash Flow	99,331	71,072	1,19,391	1,38,497

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	1,19,829	1,26,528	1,32,914	1,36,755
YoY gr. (%)	9.6	6.0	9.0	10.5
Raw Material Expenses	23,804	26,754	26,942	27,405
Gross Profit	96,025	99,773	1,05,972	1,09,349
Margin (%)	80.1	78.9	79.7	80.0
EBITDA	30,915	36,581	38,109	41,924
YoY gr. (%)	9.3	9.9	18.6	25.1
Margin (%)	25.8	28.9	28.7	30.7
Depreciation / Depletion	6,504	6,551	6,259	6,306
EBIT	24,412	30,029	31,850	35,618
Margin (%)	20.4	23.7	24.0	26.0
Net Interest	736	615	692	515
Other Income	6,059	5,326	3,540	4,656
Profit before Tax	29,735	34,740	34,698	39,759
Margin (%)	24.8	27.5	26.1	29.1
Total Tax	1,489	5,523	5,672	5,589
Effective tax rate (%)	5.0	15.9	16.3	14.1
Profit after Tax	28,246	29,217	29,026	34,171
Minority interest	120	356	(95)	142
Share Profit from Associates	-	-	-	-
Adjusted PAT	26,546	28,356	30,402	29,034
YoY gr. (%)	33.8	21.0	28.0	15.0
Margin (%)	22.2	22.4	22.9	21.2
Extra Ord. Income / (Exp)	1,580	505	(1,281)	4,995
Reported PAT	28,126	28,861	29,121	34,029
YoY gr. (%)	28.8	23.2	20.9	37.8
Margin (%)	23.5	22.8	21.9	24.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	28,126	28,861	29,121	34,029
Avg. Shares O/s (m)	2,399	2,399	2,399	2,399
EPS (Rs)	11.7	12.0	12.1	14.2

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	41.8	49.0	54.8	65.0
CEPS	50.6	59.8	66.2	77.0
BVPS	265.4	298.0	336.4	383.9
FCF	41.4	29.6	49.8	57.7
DPS	14.0	16.4	16.4	17.6
Return Ratio(%)				
RoCE	16.2	18.0	18.2	19.5
ROIC	14.7	16.4	17.6	20.3
RoE	16.0	17.4	17.3	18.1
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.2)	(0.3)
Net Working Capital (Days)	116	145	145	145
Valuation(x)				
PER	41.7	35.6	31.8	26.8
P/B	6.6	5.9	5.2	4.5
P/CEPS	50.6	59.8	66.2	77.0
EV/EBITDA	31.6	26.9	24.0	20.0
EV/Sales	8.5	7.7	6.9	6.1
Dividend Yield (%)	0.8	0.9	0.9	1.0

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
India Formulations	1,48,893	1,68,993	1,87,582	2,10,092
US Formulations	1,53,493	1,64,276	1,82,079	2,00,284
ROW Formulations	1,53,323	1,65,740	1,75,679	1,98,517
APIs	19,187	20,721	22,379	24,169

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-25	BUY	2,100	1,853
2	29-Oct-24	BUY	2,100	1,903
3	07-Oct-24	BUY	1,885	1,910
4	02-Aug-24	BUY	1,885	1,715
5	08-Jul-24	BUY	1,710	1,568
6	23-May-24	BUY	1,710	1,539
7	08-Apr-24	BUY	1,640	1,609

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	8,000	7,437
2	Aster DM Healthcare	BUY	620	524
3	Aurobindo Pharma	Accumulate	1,475	1,298
4	Cipla	BUY	1,730	1,421
5	Divi's Laboratories	Accumulate	6,000	5,920
6	Dr. Reddy's Laboratories	Reduce	1,335	1,289
7	Eris Lifesciences	BUY	1,420	1,301
8	Fortis Healthcare	BUY	710	735
9	HealthCare Global Enterprises	BUY	535	488
10	Indoco Remedies	Hold	325	343
11	Ipca Laboratories	Accumulate	1,700	1,736
12	J.B. Chemicals & Pharmaceuticals	BUY	2,250	1,896
13	Jupiter Life Line Hospitals	BUY	1,660	1,565
14	Krishna Institute of Medical Sciences	BUY	675	649
15	Lupin	BUY	2,420	2,359
16	Max Healthcare Institute	BUY	1,200	1,198
17	Narayana Hrudayalaya	BUY	1,420	1,351
18	Rainbow Children's Medicare	BUY	1,785	1,552
19	Sun Pharmaceutical Industries	BUY	2,100	1,853
20	Sunteck Realty	BUY	700	494
21	Torrent Pharmaceuticals	Accumulate	3,750	3,248
22	Zydus Lifesciences	Accumulate	1,050	1,001

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

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