

Sun Pharma

Estimate change

TP change

Rating change



Bloomberg	SUNP IN
Equity Shares (m)	2399
M.Cap.(INRb)/(USDb)	4123.6 / 47.9
52-Week Range (INR)	1960 / 1377
1, 6, 12 Rel. Per (%)	-3/-7/3
12M Avg Val (INR M)	4008

Financials & valuations (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Sales	516.6	564.3	620.2
EBITDA	148.0	158.6	179.8
Adj. PAT	116.5	138.6	159.0
EBIT Margin (%)	23.7	23.4	24.5
Adj. EPS (INR)	48.5	57.8	66.3
EPS Gr. (%)	16.9	19.0	14.7
BV/Sh. (INR)	301.0	346.4	400.3

Ratios

Net D:E	-0.4	-0.4	-0.5
RoE (%)	17.1	17.8	17.7
RoCE (%)	16.9	17.7	17.7
Payout (%)	25.6	21.4	18.6

Valuations

P/E (x)	35.5	29.8	26.0
EV/EBITDA (x)	27.3	24.9	21.3
Div. Yield (%)	0.6	0.6	0.6
FCF Yield (%)	3.1	2.1	2.6
EV/Sales (x)	7.8	7.0	6.2

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	54.5	54.5	54.5
DII	18.7	18.6	18.8
FII	18.0	18.1	17.7
Others	8.9	8.9	9.0

FII includes depository receipts

CMP: INR1,719

TP: INR2,000 (+16%)

Buy

India/EM outperformers; US/ROW underperformers

Multiple milestones lined up in specialty pipeline in CY25

- Sun Pharmaceutical Industries (SUNP) delivered 4%/9%/4% miss on revenue/EBITDA/PAT for 4QFY25. Lower-than-expected sales in global specialty and ROW led to a miss on 4QFY25 performance.
- Despite a formidable base of INR169b (FY25), SUNP continues to beat the industry and gain market share in the domestic formulation (DF) segment.
- FY26 would be an eventful year filled with launch activities and critical milestones for products under development in the global specialty portfolio.
- While Specialty portfolio continues to see healthy traction, lower generics business led to a slight YoY decline in CC terms in US business.
- We slightly reduce our estimates by 3%/1% for FY26/FY27, factoring in a) additional spending on marketing/promotion for specialty products. We value SUNP at 30x 12M forward earnings to arrive at a TP of INR2,000.
- SUNP has been implementing efforts to not only expand offerings but also enhance marketing franchise in regulated markets for differentiated products. The superior marketing skill set is enabling market share gain in branded generics DF market. Overall, we expect 17% earnings CAGR over FY25-27. Maintain BUY.

Operating leverage outweighs inferior product mix on YoY basis

- SUNP sales grew 8.2% YoY to INR128.2b (vs our est: INR133.9b).
- DF sales grew 13.6% YoY to INR42b (33% of sales). US sales grew 1.7% YoY to INR40b (USD464m in CC terms; 31% of sales).
- EM sales grew 10.9% YoY to INR22.6b (18% of sales). ROW sales grew 6.4% YoY to INR17.3b (14% of sales).
- Gross margin decreased 40bp YoY to 79.4% for the quarter.
- EBITDA margin expanded 90bp to 25.6% (vs our est: 26.9%).
- Accordingly, EBITDA grew 12.3% YoY to INR32.8b in 4Q (vs or est: INR36).
- SUNP had exceptional expenses of INR6.7b and exceptional tax expenses of INR3.7b related to the settlement of national prescription opiate litigation. It also took a charge of INRUSD11.7m related to integration/restructuring of US operations. In addition, there was a charge of USD30m related to the impairment of investment in Lyndra Therapeutics.
- Adj. for the same, PAT was INR29b (our est: INR30b), up 3% YoY.
- In FY25, revenue/EBITDA/PAT grew 8%/16%/10% YoY to INR516b/INR142b/INR110b.

Highlights from the management commentary

- SUNP guided for mid-to-high single revenue YoY growth in FY26.
- It is expected to invest additional USD100m in FY26 in launch/promotional activities of products in the specialty portfolio and addition of field force.

- Illumya sales at USD680m for FY25, up 17% YoY.
- ETR is expected to further inch up in FY26 compared to that in FY25 due to exhaustion of tax losses.
- SUNP would be seeking a partner to further develop/commercialize MM-II. Phase II clinical trials are completed for this product.
- R&D spend to be 6-8% of sales for FY26.

Quarterly Earning Model

Y/E Mar (INRb)	FY24				FY25				FY24	FY25	FY25	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	%
Net Sales	117.9	120.0	121.6	118.1	125.2	132.6	130.6	128.2	477.6	516.6	134	-4
YoY Change (%)	10.7	11.0	10.5	10.7	6.3	10.5	7.4	8.5	10.8	8.2	-60	
Total Expenditure	86	90	90	89	90	95	95	95	355	375	97.9	
EBITDA	31.7	30.2	31.3	29.2	35.3	37.8	35.7	32.8	122.5	141.7	36	-9
YoY Change (%)	21.1	-1.0	13.2	13.8	11.2	25.1	14.2	12.3	11.3	15.7		
Margins (%)	26.9	25.2	25.7	24.7	28.2	28.5	27.4	25.6	25.6	27.4	27	
Depreciation	7	6	6	7	7	6	6	7	26	26	6.3	
Interest	1	0	0	1	1	1	1	0	2	2	0	19
Other Income	4	5	5	8	7	4	7	8	21	25	6	
PBT before EO expense	28.0	28.2	29.5	29.7	34.7	34.7	36.0	33.2	115.5	138.6	35	
Extra-Ord expense	3	0	-1	2	1	-1	1	1	5	1	0.0	
PBT	24.8	27.9	30.0	28.2	34.2	36.0	34.8	32.5	110.9	137.5	35	
Tax	5	4	4	1	6	6	6	11	14	28	5	119
Rate (%)	18.9	14.0	14.4	5	16	16	16	34	13	20	14	
MI and Profit/Loss of Ass. Co	0	0	0	0.1	0.4	-0.1	0.1	0.1	0.7	0.5	0	
Reported PAT	20.2	23.8	25.2	26.5	28.4	30.4	29.0	21.5	95.8	109.3	30	
Adj PAT	22.8	24.0	24.8	28.0	27.5	29.1	27.6	28.9	100	113	30	-4
YoY Change (%)	27.0	1.9	28.6	45.9	20.4	20.8	11.6	3.0	15.8	13.4	4	-22
Margins (%)	19.4	20.0	20.4	23.7	22.0	21.9	21.2	22.5	20.9	21.9	22.5	

Segmental revenue (INRb)	FY24				FY25				FY24	FY25	4QE
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Domestic formulations	35.6	38.4	37.8	37.1	41.4	42.7	43.0	42.1	148.9	169.2	42
YoY Change (%)	5.1	11.1	11.4	10.2	16.4	11.0	13.8	13.6	9.5	13.7	13.0
US sales	38.7	35.5	39.7	39.5	38.9	43.3	40.0	40.2	153.5	162.4	41
YoY Change (%)	19.3	7.9	14.6	11.9	0.5	21.9	0.7	1.7	13.4	5.8	3.0
ROW+EM	37.5	40.4	38.7	36.6	39.5	41.2	41.4	39.9	153.3	162.0	45
YoY Change (%)	11.6	15.1	5.5	7.9	5.4	1.7	6.9	8.9	10.0	5.7	23.7
APIs	5.4	5.0	4.7	4.2	4.9	5.3	5.7	5.3	19.2	21.3	6
YoY Change (%)	-9.9	5.1	-9.6	7.9	-8.3	7.4	21.8	28.2	2.7	11.0	34.6
Cost Break-up											
RM Cost (% of Sales)	23.4	23.2	22.5	20.2	21.4	20.3	21.0	20.6	22.3	20.8	21.4
Staff Cost (% of Sales)	20.4	19.7	19.4	19.5	19.6	18.7	19.5	19.4	19.7	19.3	19.3
R&D Expenses(% of Sales)	5.8	6.4	6.8	7.6	6.3	6.0	6.5	6.4	6.7	6.3	6.6
Other Cost (% of Sales)	23.5	25.4	25.5	28.0	24.5	26.5	25.6	28.0	25.6	26.2	25.8
Gross Margins(%)	76.6	76.8	77.5	79.8	78.6	79.7	79.0	79.4	77.7	79.2	78.6
EBITDA Margins(%)	26.9	25.2	25.7	24.7	28.2	28.5	27.4	25.6	25.6	27.4	26.9
EBIT Margins(%)	21.4	19.9	20.6	19.2	23.0	23.8	22.5	20.4	20.3	22.4	22.2



Key takeaways from the management interaction

- Leqselvi to be launched in 2QFY26.
- SUNP has launched a corporate branding initiative for the first time in history.
- The topline data related to Phase-III for Ilumya related to Psoriatic arthritis is expected during 2HCY25.
- The topline data related to Phase-II for SCD-44 related to atopic dermatitis/psoriasis is expected during 1HCY25.
- The topline data related to Phase-I for GL0034 is expected during 2HCY25.
- Revlimid sales in 4QFY25 were similar to those in 3QFY25.

Exhibit 1: Global specialty pipeline

Candidate	Indication	Current Phase	Next Milestone
Deuruxolitinib	❖ Alopecia Areata	❖ Approved for alopecia areata in the US	❖ To be launched in 2QFY26
Nidlegly TM (EU, ANZ rights with Sun)	❖ Melanoma and Melanoma Skin Cancers	❖ Filed with EMA (EU) for treatment of locally advanced, fully resectable melanoma in the neoadjuvant setting	❖ Approval
Ilumya	❖ Psoriatic Arthritis	❖ Phase-3	❖ Topline data during 2HCY25
MM-II	❖ Pain in Osteoarthritis	❖ Phase-2 completed	❖ Phase-3 to start in 2HCY25
Fibromun	❖ soft tissue sarcomas/ glioblastoma	❖ Phase-3/Phase-2	❖ Regulatory filing
SCD-004	❖ Psoriasis, atopic dermatitis	❖ Phase-2	❖ Topline data by 1HCY25
GL0034	❖ Type-2 Diabetes	❖ Phase 1 completed	❖ Phase-2 to start by 1HCY25
MM-II	❖ Pain in Osteoarthritis	❖ Phase 2 completed	❖ To enter partnership for commercialization

Source: Company, MOFSL

Strong specialty outlook and broad-based DF/EM growth shape positive trajectory

Global Specialty segment - Sustained growth supported by launch pipeline

- In FY25, SUNP's specialty sales grew 17% YoY to USD1.2b. Interestingly, SUNP has delivered a 23% sales CAGR in global specialty sales over the past five years.
- This is largely on the back of the product addition in the portfolio and robust traction in the existing products.
- Specifically, the prescription trends remain promising in Cequa, Ilumya, Winlevi and Odomzo.
- 4Q was an aberration with 9% YoY growth. Having said this, SUNP is preparing to launch/add Leqselvi to its commercial portfolio of specialty products.
- After the acquisition of Checkpoint, SUNP would be adding another product 'Unloxcyt' to its launch pipeline.
- It also has certain products in R&D at various stages of development. Out of these products, SUNP has strategically decided to look for a partner to commercialize MM-II.
- Thus, FY26 would be an eventful year filled with launch activities and critical milestones for products under development.
- We expect a 23% sales CAGR in the specialty portfolio to reach USD.8b over FY25-27.

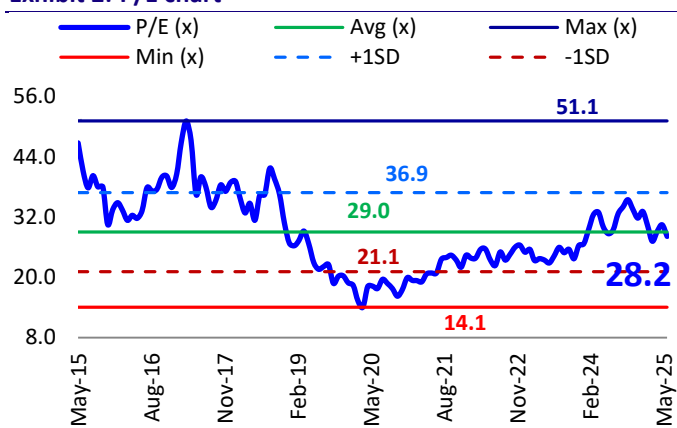
Solid growth in DF/EM; ROW was a laggard in FY25

- In FY25, DF sales increased 14% YoY to INR170b. SUNP posted industry-beating YoY growth in FY25, led by new launches and superior traction from existing brands.
- SUNP has sustained its quarterly launch momentum with 10 products in 4QFY25.
- Growth has been broad-based across therapies. Pain/Anti-Diabetic/Gastro-intestinal/CNS/Cardiac posted 13%/16%/12%/10%/9% YoY growth in FY25.
- With a strong MR base and differentiated product launches, we expect SUNP to garner an 11% sales CAGR to INR208b over FY25-27.
- SUNP has sustained growth momentum in EM marker as well, with 9% YoY growth in FY25. Certain geographies like Romania, Russia and Brazil have outperformed other markets, driving growth in emerging markets.
- SUNP witnessed growth moderation in ROW markets in FY25.
- Overall, we expect 9% sales in EM+ROW markets to reach INR192b in revenue over FY25-27.

Reiterate BUY

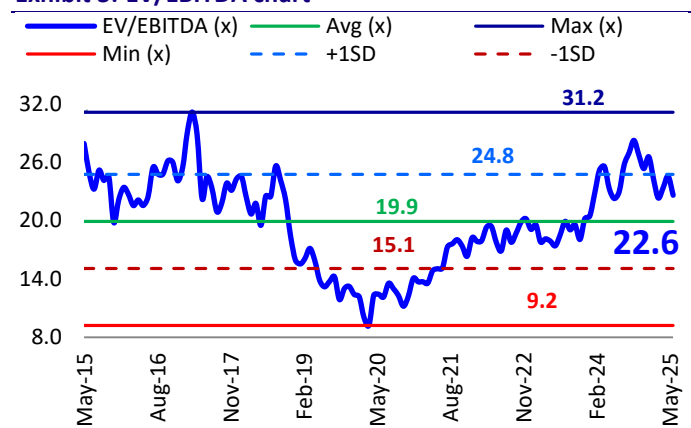
- We slightly reduce our estimates by 3%/1% for FY26/FY27, factoring in a) additional spending on marketing/promotion for specialty products. We value SUNP at 30x 12M forward earnings to arrive at a price target of INR2000.
- SUNP has been implementing efforts to not only expand offerings but also enhance marketing franchise in regulated markets for differentiated products. The superior marketing skill set is enabling market share gain in branded generics DF market. Overall, we expect a 17% earnings CAGR over FY25-27. Maintain BUY.

Exhibit 2: P/E chart



Source: MOFSL, Company, Bloomberg

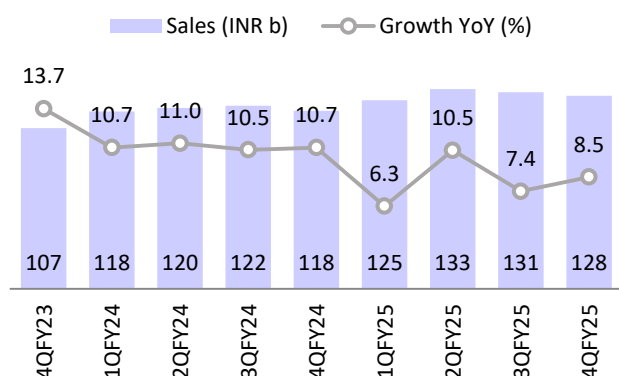
Exhibit 3: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

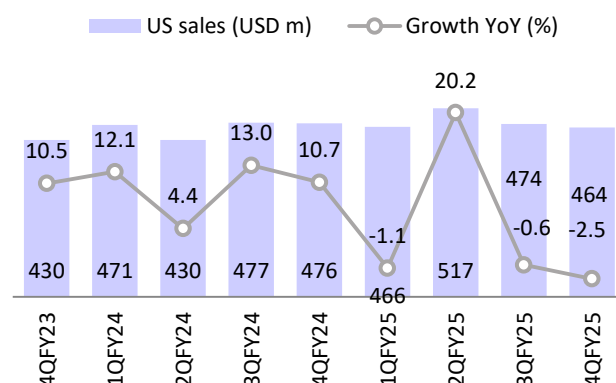
Story in charts

Exhibit 4: Revenue rose 8.5% YoY in 4QFY25



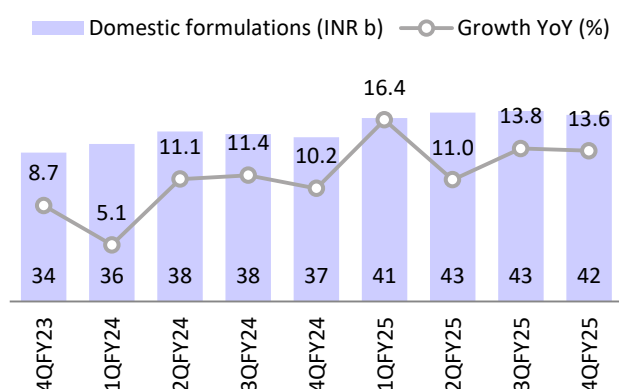
Source: Company, MOFSL

Exhibit 5: US sales fell 2.5% YoY in CC terms



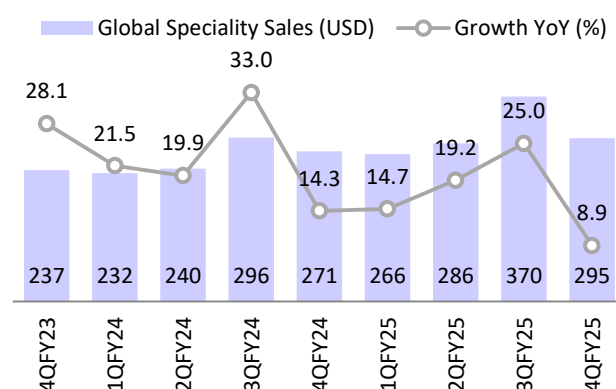
Source: Company, MOFSL

Exhibit 6: DF sales grew 14% YoY in 4QFY25



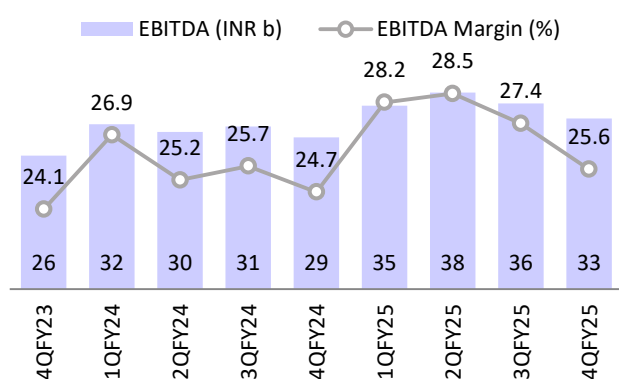
Source: Company, MOFSL

Exhibit 7: Specialty sales rose 8.9% YoY in 4QFY25



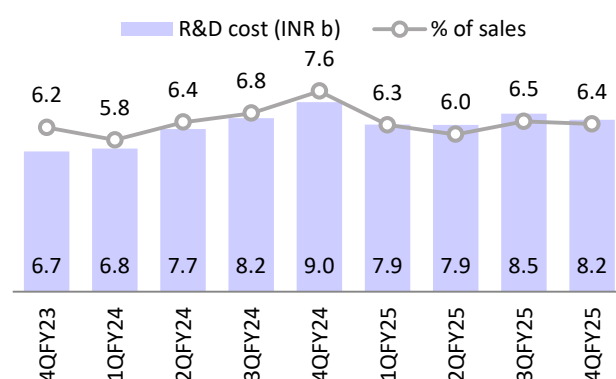
Source: Company, MOFSL

Exhibit 8: EBITDA margin expanded 90bp YoY in 4QFY25



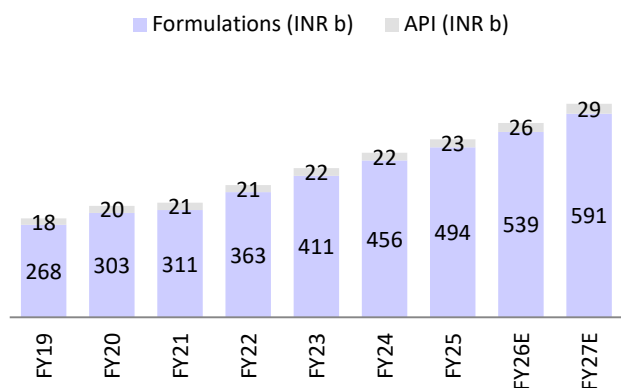
Source: Company, MOFSL

Exhibit 9: R&D costs stood at 6.4% of sales in 4QFY25



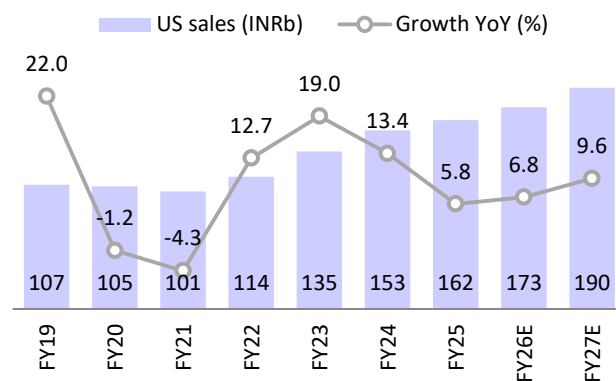
Source: Company, MOFSL

Exhibit 10: Expect 10% revenue CAGR over FY25-27



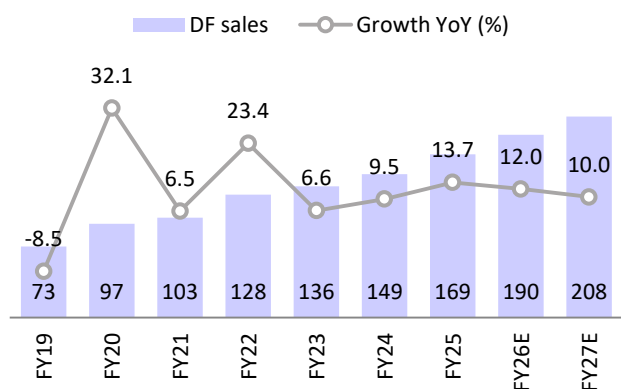
Source: Company, MOFSL

Exhibit 11: Expect 8% CAGR in the US sales over FY25-27



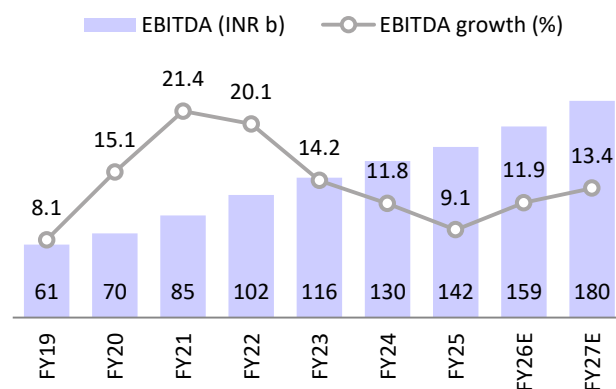
Source: Company, MOFSL

Exhibit 12: Expect DF sales CAGR of 11% over FY25-27



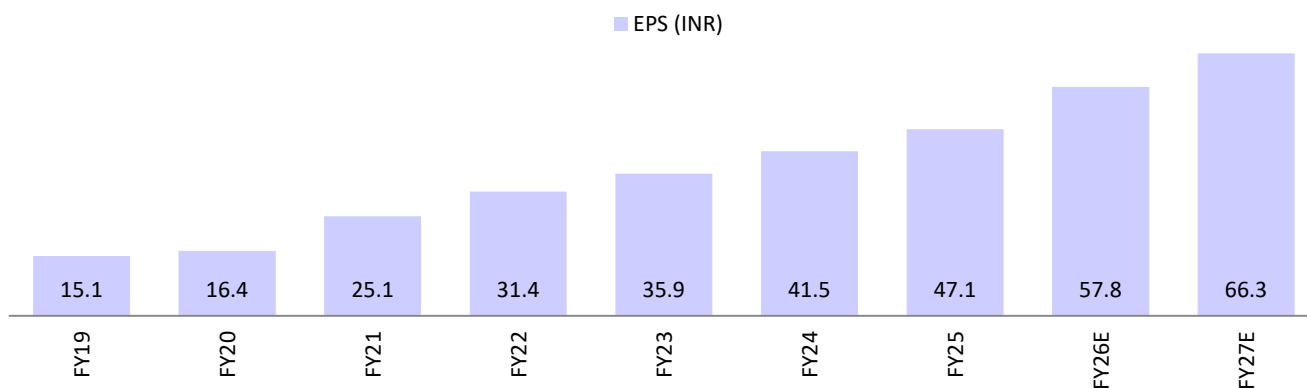
Source: Company, MOFSL

Exhibit 13: Expect EBITDA CAGR of 13% over FY25-27



Source: Company, MOFSL

Exhibit 14: Expect 19% EPS CAGR over FY25-27



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	3,23,252	3,32,331	3,84,264	4,32,789	4,77,585	5,16,612	5,64,300	6,20,157
Change (%)	12.7	2.8	15.6	12.6	10.4	8.2	9.2	9.9
EBITDA	69,741	84,678	1,01,688	1,16,142	1,29,871	1,41,689	1,58,568	1,79,846
Margin (%)	21.6	25.5	26.5	26.8	27.2	27.4	28.1	29.0
Depreciation	20,528	20,800	21,437	25,294	25,566	25,754	26,294	27,729
EBIT	49,214	63,879	80,250	90,847	1,04,305	1,15,936	1,32,275	1,52,116
Int. and Finance Charges	3,027	1,414	1,274	1,720	2,385	2,314	1,754	1,145
Other Income	6,360	8,355	7,528	6,345	13,542	25,022	27,331	30,037
PBT bef. EO Exp.	52,546	70,819	86,504	95,473	1,15,462	1,38,644	1,57,852	1,81,008
EO Items	-2,450	-42,825	-43,191	-1,389	-4,581	-1,123	0	0
PBT after EO Exp.	50,096	27,994	43,313	94,084	1,10,881	1,37,520	1,57,852	1,81,008
Total Tax	8,228	5,147	10,755	8,476	14,395	27,720	18,731	21,396
Tax Rate (%)	16.4	18.4	24.8	9.0	13.0	20.2	11.9	11.8
Minority Interest	4,219	-6,191	1,331	873	721	511	550	650
Reported PAT	37,649	29,039	31,227	84,735	95,766	1,09,289	1,38,571	1,58,962
Adjusted PAT	39,466	60,242	75,265	86,066	99,688	1,13,075	1,38,571	1,58,962
Change (%)	8.7	52.6	24.9	14.4	15.8	13.4	22.5	14.7
Margin (%)	12.2	18.1	19.6	19.9	20.9	21.9	24.6	25.6

Consolidated - Balance Sheet

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	2,399	2,399	2,399	2,399	2,399	2,399	2,399	2,399
Total Reserves	4,50,245	4,62,229	4,77,713	5,57,555	6,34,268	7,19,781	8,28,750	9,58,112
Net Worth	4,52,645	4,64,628	4,80,112	5,59,954	6,36,668	7,22,180	8,31,150	9,60,511
Minority Interest	38,602	30,171	30,549	33,201	34,392	2,679	3,229	3,879
Total Loans	83,149	38,686	12,903	68,859	32,737	18,696	13,196	9,696
Deferred Tax Liabilities	-31,172	-35,119	-28,177	-34,872	-39,486	-42,153	-42,153	-42,153
Capital Employed	5,43,224	4,98,365	4,95,387	6,27,141	6,64,311	7,01,403	8,05,423	9,31,934
Gross Block	2,86,345	2,92,914	3,21,161	3,47,419	3,56,848	4,27,042	4,49,417	4,74,891
Less: Accum. Deprn.	1,22,691	1,40,260	1,60,422	1,90,345	2,10,723	2,36,477	2,62,771	2,90,500
Net Fixed Assets	1,63,655	1,52,653	1,60,739	1,57,074	1,46,124	1,90,565	1,86,646	1,84,391
Goodwill on Consolidation	64,815	62,876	65,913	83,580	85,990	89,394	89,394	89,394
Capital WIP	12,203	15,668	12,868	49,732	53,539	12,343	14,969	16,494
Total Investments	1,01,431	96,125	1,28,486	1,48,243	1,50,258	1,83,538	1,83,538	1,83,538
Curr. Assets, Loans&Adv.	3,08,668	3,13,780	3,01,576	3,33,617	3,77,682	4,01,088	5,23,971	6,70,583
Inventory	78,750	89,970	89,251	1,05,131	98,683	1,02,433	1,24,498	1,37,522
Account Receivables	94,212	90,614	1,04,846	1,14,385	1,12,494	1,30,461	1,43,781	1,61,411
Cash and Bank Balance	64,876	64,455	50,334	57,703	1,05,207	1,13,316	1,95,748	3,05,773
Loans and Advances	70,830	68,741	57,146	56,399	61,299	54,878	59,944	65,877
Curr. Liability & Prov.	1,07,548	1,42,738	1,74,195	1,45,106	1,49,282	1,75,525	1,93,094	2,12,466
Account Payables	36,645	43,122	50,898	59,860	60,172	61,843	68,919	75,999
Other Current Liabilities	25,409	48,728	26,372	25,185	27,279	47,480	51,863	56,997
Provisions	45,494	50,889	96,925	60,060	61,832	66,202	72,313	79,471
Net Current Assets	2,01,121	1,71,042	1,27,381	1,88,512	2,28,400	2,25,563	3,30,877	4,58,117
Appl. of Funds	5,43,224	4,98,365	4,95,387	6,27,141	6,64,311	7,01,403	8,05,423	9,31,934

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)								
EPS	16.4	25.1	31.4	35.9	41.5	47.1	57.8	66.3
Cash EPS	25.0	33.8	40.3	46.4	52.2	57.9	68.7	77.8
BV/Share	188.7	193.7	200.1	233.4	265.4	301.0	346.4	400.3
DPS	4.0	7.5	10.0	11.5	13.5	10.5	10.5	10.5
Payout (%)	30.0	72.8	90.3	41.6	39.7	27.1	21.4	18.6
Valuation (x)								
P/E	104.7	68.6	54.9	48.0	41.5	36.6	29.8	26.0
Cash P/E	68.9	51.0	42.7	37.1	33.0	29.8	25.1	22.1
P/BV	9.1	8.9	8.6	7.4	6.5	5.7	5.0	4.3
EV/Sales	12.8	12.4	10.7	9.6	8.5	7.8	7.0	6.2
EV/EBITDA	59.5	48.5	40.3	35.7	31.3	28.5	24.9	21.3
FCF per share	21.3	21.2	31.5	12.1	41.5	50.0	36.1	45.0
Return Ratios (%)								
RoE	9.1	13.1	15.9	16.6	16.7	16.6	17.8	17.7
RoCE	8.8	11.3	13.2	15.8	15.8	16.0	17.7	17.7
RoIC	11.3	15.2	19.3	24.5	25.0	24.8	29.0	32.0
Working Capital Ratios								
Fixed Asset Turnover (x)	1.1	1.1	1.2	1.2	1.3	1.2	1.3	1.3
Inventory (Days)	89	99	85	89	75	72	81	81
Debtor (Days)	106	100	100	96	86	92	93	95
Creditor (Days)	41	47	48	50	46	44	45	45
Leverage Ratio (x)								
Current Ratio	2.9	2.2	1.7	2.3	2.5	2.3	2.7	3.2
Net Debt/Equity	-0.2	-0.3	-0.3	-0.2	-0.3	-0.4	-0.4	-0.5

Consolidated - Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	50,096	27,994	44,813	94,084	1,10,879	1,37,520	1,57,852	1,81,008
Depreciation	20,528	20,800	21,437	25,294	25,566	25,754	26,294	27,729
Interest & Finance Charges	-519	-697	-4,260	-2,125	-7,844	2,314	1,754	1,145
Direct Taxes Paid	-13,459	-10,029	9,692	-15,098	-15,694	-4,768	-18,731	-21,396
(Inc)/Dec in WC	8,986	25,641	15,591	-56,618	10,621	-3,235	-28,309	-23,574
CF from Operations	65,631	63,708	87,273	45,537	1,23,528	1,57,584	1,38,859	1,64,913
Others	-84	-2,004	2,572	4,057	-2,178	-16,864	-27,331	-30,037
CF from Operating incl EO	65,548	61,704	89,845	49,593	1,21,350	1,40,721	1,11,528	1,34,876
(Inc)/Dec in FA	-14,500	-10,730	-14,344	-20,646	-21,710	-20,648	-25,000	-27,000
Free Cash Flow	51,048	50,973	75,501	28,948	99,640	1,20,073	86,528	1,07,876
(Pur)/Sale of Investments	-15,518	11,671	-34,333	-9,119	10,900	-28,912	0	0
Others	4,130	4,422	-8,571	-49,671	3,908	-3,501	5,428	6,358
CF from Investments	-25,888	5,362	-57,248	-79,436	-6,902	-53,061	-19,572	-20,642
Issue of Shares	0	4,250	0	0	0	0	0	0
Inc/(Dec) in Debt	-33,419	-43,170	-27,654	50,283	-35,130	-9,821	-5,500	-3,500
Interest Paid	-2,719	-1,443	-732	-1,325	-2,190	-2,238	25,577	28,892
Dividend Paid	-13,993	-15,862	-21,692	-25,197	-29,007	-36,173	-29,601	-29,601
CF from Fin. Activity	-57,151	-59,805	-51,935	23,761	-67,102	-79,058	-9,524	-4,209
Inc/Dec of Cash	-17,492	7,261	-19,337	-6,082	47,347	8,602	82,432	1,10,025
Opening Balance	72,756	64,876	64,456	50,334	57,703	1,05,207	1,13,316	1,95,748
Other Bank Balances	9,611	-7,681	5,215	13,451	157	-492		
Closing Balance	64,876	64,456	50,334	57,703	1,05,207	1,13,316	1,95,748	3,05,773

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