



Sun Pharmaceutical Industries Ltd Q4FY25



Sun Pharmaceutical Industries Ltd.

Long-term outlook intact despite near-term earnings revision

CMP INR 1,683	Target INR 1,811	Potential Upside 7.6%	Market Cap (INR Mn) INR 40,28,723	Recommendation ACCUMULATE	Sector Pharmaceuticals
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Result Highlights of Q4FY25:

- Revenue stood at INR 129,588 Mn., up 8.1% YoY (-5.2% QoQ), below our estimates (-4.0%), led by weaker growth in the US.
- EBITDA stood at INR 34,249 Mn., up 10.8% YoY (-18.3% QoQ), below our estimates (-10.2%), driven by contraction of gross margins and higher operating expenses. Adjusted net profit stood at INR 22,203 Mn., down 21.1% YoY (-34.8% QoQ), below our estimates led by weaker operational performance and higher effective tax rate.
- **We have revised our FY26E/FY27E EPS estimates by -13.9%/-15.4%, as we bake in weaker growth momentum driven by Q4FY25 earnings miss, higher effective tax rate and management's cautious guidance. We value Sun Pharma at 32.0x FY27E EPS, implying a target price of INR 1,811. We maintain our "ACCUMULATE" rating on the stock.**

MARKET DATA

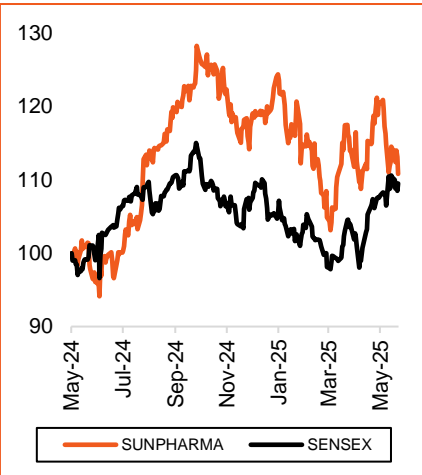
Shares outs (Mn)	2,399
Mkt Cap (INR Mn)	40,28,723
52 Wk H/L (INR)	1,960/1,377
Volume Avg (3m K)	2,788
Face Value (INR)	1
Bloomberg Code	SUNP IN

KEY FINANCIALS

INR Millions	FY23	FY24	FY25	FY26E	FY27E
Revenue	438,857	484,969	525,784	571,960	618,170
EBITDA	117,729	129,870	150,862	162,834	181,819
Adj. PAT	87,711	100,346	114,214	120,127	135,718
Adj. EPS (INR)	36.6	41.8	47.6	50.1	56.6
EBITDA Margin	26.8%	26.8%	28.7%	28.5%	29.4%
Adj. NPM	20.0%	20.7%	21.7%	21.0%	22.0%

Source: Company, DevenChoksey Research

SHARE PRICE PERFORMANCE



High-single digit top-line growth driven majorly driven by volume

- For Q4FY25, the revenue increased 8.1% YoY (-5.2% QoQ) to INR 129,588 Mn, due to growth across geographies except US.
- Revenue from the India segment (32.9% of revenue) grew 13.6% YoY (-2.0% QoQ) to INR 42,130 Mn, was driven by a combination of robust volume-led growth, continued momentum in new product launches, broad-based strength across key therapy areas, and market share gains.
- Revenue from the EM segment (17.6% of revenue) grew 10.9% YoY (-3.5% QoQ) to INR 22,561 Mn, supported by branded formulation-led strategy coupled with underlying double-digit constant currency growth.
- Revenue from the ROW segment (13.5% of revenue) grew 6.4% YoY (-20.6% QoQ) to INR 17,340 Mn, was led by volume-led expansion across key international markets and favourable currency movements.
- Revenue from the US segment (31.4% of revenue) grew 1.7% YoY (+0.4% QoQ) to INR 40,204 Mn, this modest growth was due to pricing pressure and competition in the generic's portfolio, along with seasonal insurance-related volume softness during the initial months of the quarter.
- Sun Pharma expects to deliver mid to high single-digit consolidated revenue growth in FY26E. This guidance reflects management's cautious stance amid global macroeconomic and geopolitical uncertainties, foreign exchange volatility, and evolving regulatory dynamics.

MARKET INFO

SENSEX	81,552
NIFTY	24,826

SHARE HOLDING PATTERN (%)

Particulars	Mar-25	Dec-24	Sept-24
Promoters	54.5	54.5	54.5
FIIs	18.0	18.0	18.0
DIIIs	18.7	18.6	18.6
Others	8.9	8.9	8.9
Total	100.0	100.0	100.0

*Based on the previous closing
 *Note: All the market data is as of the previous closing.

8.4%
 Revenue CAGR between
 FY25 and FY27E

9.0%
 Adj. PAT CAGR between
 FY25 and FY27E

Sun Pharmaceutical Industries Ltd.

Operating leverage offsets gross margin dip; tax weighs on bottom line

- Gross margin contracted 49 bps YoY (-31 bps QoQ) to 79.6%, impacted by unfavourable product mix.
- EBITDA increased 10.8% YoY (-18.3% QoQ) to INR 34,249 Mn. EBITDA margin expanded 63 bps YoY (-423 bps QoQ) to 26.4%, the EBITDA margin expansion is supported by an operating leverage despite gross margin contraction.
- Adj. Net profit decreased 21.1% YoY (-34.8% QoQ) to INR 22,203 Mn, due to higher effective tax rate compared to Q4FY24.

Key Concall Highlights:

India

- Sun Pharma's India formulation business growth suggests robust prescription generation, higher brand offtake, and successful field-force execution across metros and Tier 2/3 cities.
- Strong performance in chronic and acute categories contributed to broad-based growth. The company launched 10 new products in the India market during the quarter.
- These launches are part of a strategy to capitalize on growing demand in fast-evolving therapy areas like diabetes and weight management, where Sun Pharma is planning further entries. The addition of differentiated formulations supported incremental revenue during the quarter.
- This dominance across prescriber bases highlights its reach in therapies such as dermatology, cardiology, psychiatry, and gastroenterology. The company's leadership also reflects strong brand equity and field engagement. The company's share in the Indian pharmaceutical market rose from 8.0% to 8.3% YoY, according to the AIOCD AWACS MAT March 2025 data.

Emerging markets

- Sun Pharma's EM business saw strong performance in several focus markets including Romania, Russia, and Brazil. These markets contributed meaningfully to the quarterly growth trajectory, benefiting from a combination of better in-market execution, brand strength, and distribution reach.
- While reported growth in Q4FY25 was 6.3% YoY, in constant currency (CC) terms, EM revenues grew by a stronger 11.5% YoY. This indicates that currency headwinds slightly dampened reported numbers, but the underlying growth fundamentals remain solid, driven by demand momentum and market penetration.
- Sun Pharma's EM business is oriented towards branded generics, which tend to offer better pricing power and margin stability than pure generics. This model, especially in prescription-led markets like Russia and Brazil, enabled the company to maintain competitive positioning and gain market share in select regions.

Rest of the World (ROW)

- The RoW segment, which includes regulated and semi-regulated international markets excluding the US, India, and Emerging Markets witnessed moderate growth driven by volume particularly in countries with stable regulatory frameworks and branded generics demand.
- Management reported a Q4FY25 RoW sales growth of 2.0% YoY in USD terms, which was significantly lower than the 6.4% INR-reported growth. This again reflects a favorable INR/USD translation effect. The local currencies in several RoW countries (e.g., AUD, ZAR) may have depreciated against USD, but the INR depreciation vs USD helped cushion this in consolidated reporting.

US

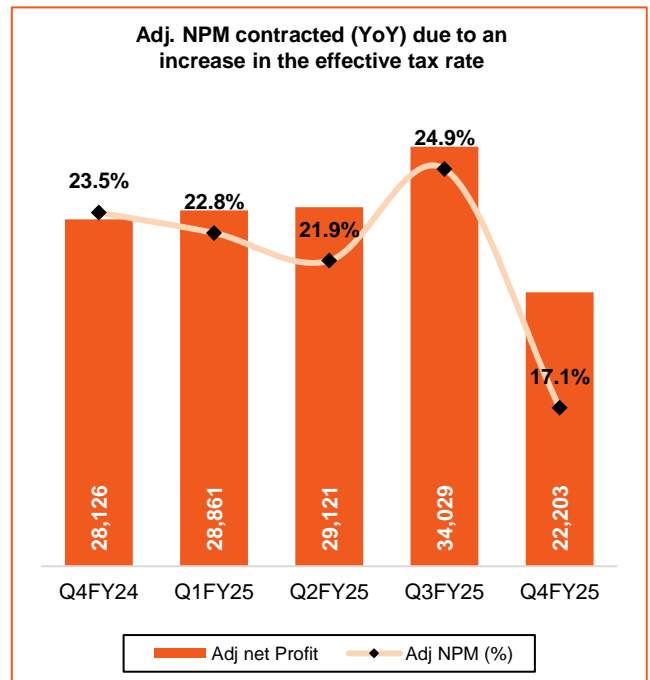
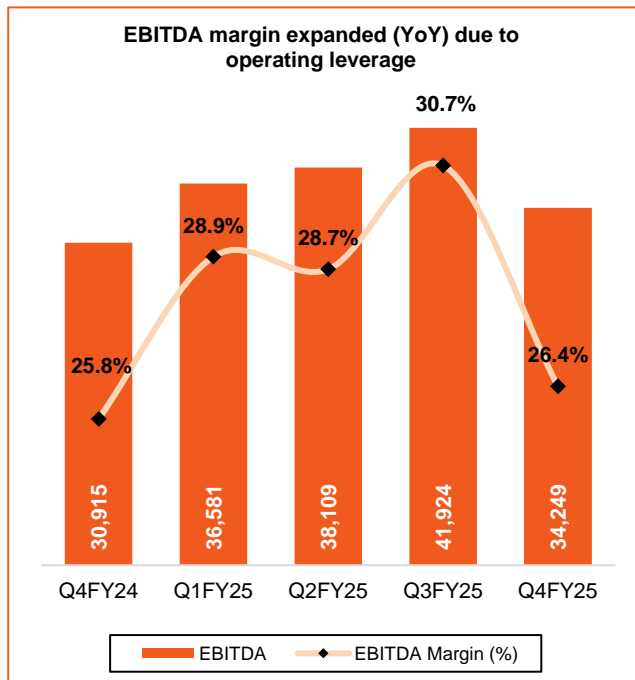
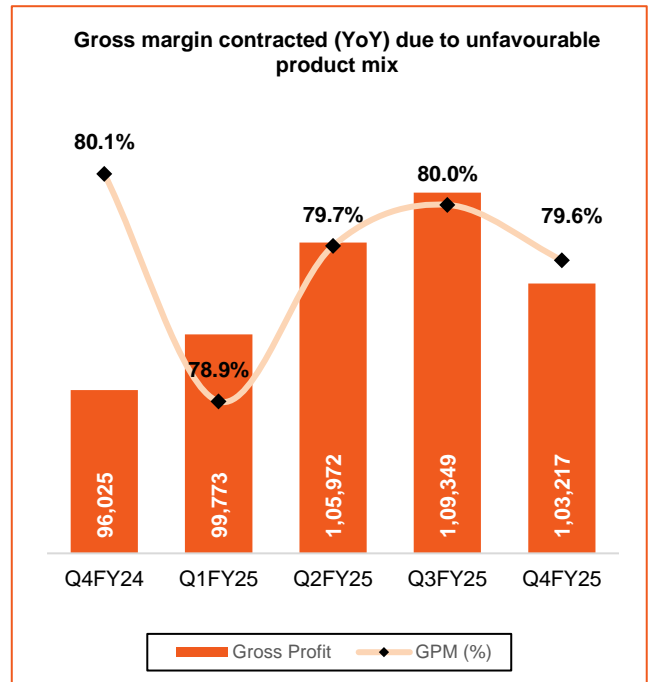
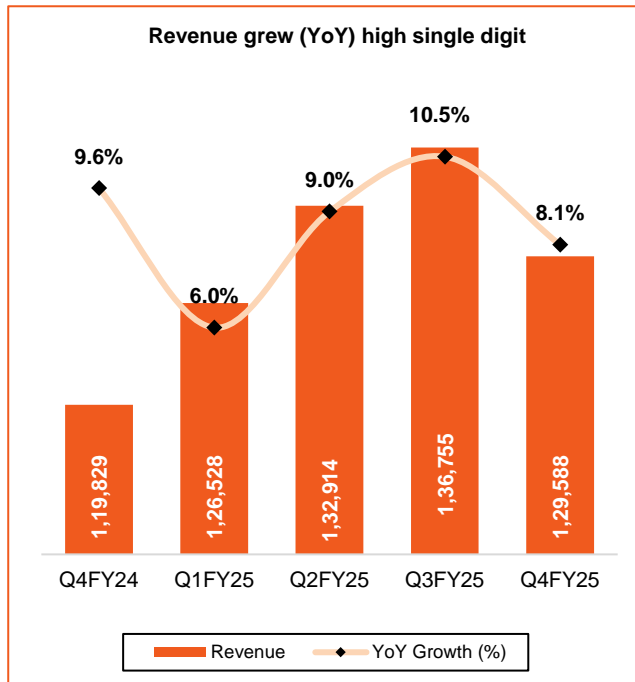
- The US segment growth was primarily supported by the company's specialty business, including key brands like Ilumya, Cequa, Winlevi, and Odomzo. These products continued to grow in volume and market share, providing a stabilizing base despite broader headwinds.
- The performance of the US business was partially offset by a decline in the generics segment, due to increased competitive intensity in certain molecules. This trend is consistent with previous quarters, where price erosion and generic competition have pressured legacy products.
- The company launched two generic products in Q4FY25 in the US. However, these were not large enough to meaningfully counterbalance the overall decline in the base generics business.

Guidance and outlook

- The company has planned an additional USD 100 Mn investment in FY26E for the commercialization of new specialty products, which includes marketing, field force expansion, and physician/patient engagement activities. This is described as a strategic investment, not a recurring cost, aimed at building the long-term specialty franchise.
- Sun Pharma reiterated its focus on expanding its specialty portfolio in dermatology and oncology, supported by organic R&D and acquisitions (e.g., Checkpoint Therapeutics). The company emphasized that this is central to its long-term growth thesis.
- The company invested INR 8,116 Mn (6.4% of sales) in R&D in Q4FY25, with Specialty R&D accounting for 36.0% of the total R&D spend. The company expects its FY26 R&D spend to be 6.0% to 8.0% of sales.

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Story in charts



Source: Company, DevenChoksey Research

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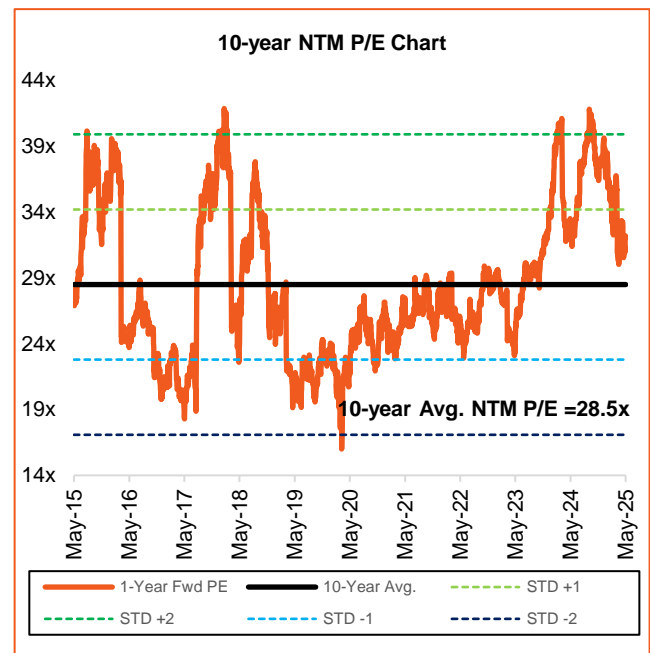
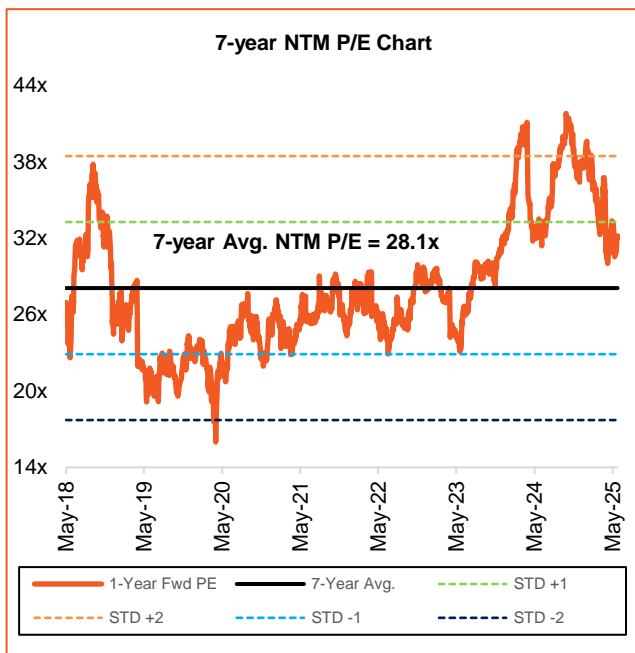
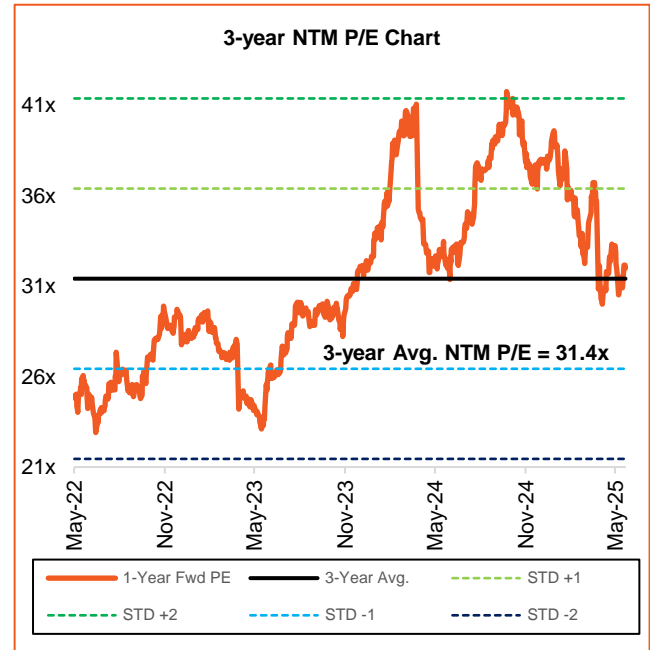
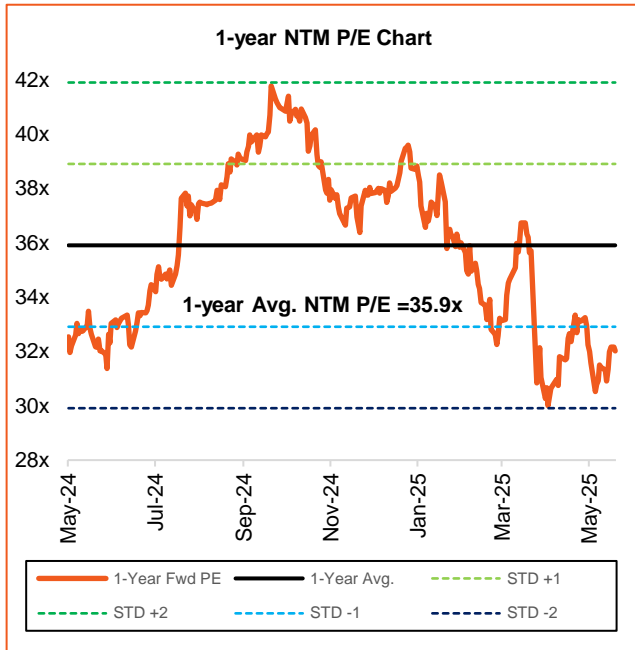
Valuation and view:

Sun Pharma reported healthy YoY growth in Q4FY25, driven by strong performance across India, Emerging, and ROW markets, while the US segment remained subdued due to generic pricing pressure and seasonal headwinds. India led with volume-driven growth and market share gains. Despite a marginal gross margin contraction due to product mix, EBITDA margin expanded YoY, supported by operating leverage. However, adjusted net profit declined, impacted by a higher effective tax rate.

We have revised our FY26E/FY27E EPS estimates by -13.9%/-15.4% due to lower-than-expected Q4FY25 numbers, higher effective tax rate, and management cautious guidance amid global macroeconomic and geopolitical uncertainties.

We remain optimistic on long-term growth drivers reflected by the specialty product expansion, domestic market leadership, branded generics strategy in EMs and, innovation-led R&D pipeline. We expect revenue and PAT to grow at a CAGR of 8.4% and 9.0%, respectively, over FY25–FY27E. Currently, the stock is trading at PE multiple of 33.5x/29.6x based on FY26E/FY27E EPS, respectively.

We value Sun Pharma at 32.0x FY27E EPS, implying a target price of INR 1,810. We maintain our “ACCUMULATE” rating on the stock.



Source: Bloomberg, DevenChoksey Research

Sun Pharmaceutical Industries Ltd.

Result Snapshot

Particulars (Mn)	Q4FY25	Q3FY25	Q4FY24	QoQ	YoY	FY25	FY24	YoY
Revenue from Operations	129,588	136,755	119,829	-5.2%	8.1%	525,784	484,969	8.4%
Total Expenditure	95,340	94,831	88,914	0.5%	7.2%	374,923	355,099	5.6%
Cost of Raw Materials	18,451	14,083	16,767	31.0%	10.0%	64,491	69,043	-6.6%
Purchase of Stock	10,367	12,387	9,829	-16.3%	5.5%	41,480	34,662	19.7%
Changes in Inventories	-2,446	935	-2,792	-361.5%	NM	1,503	2,921	-48.5%
COGS	26,372	27,405	23,804	-3.8%	10.8%	107,474	106,626	0.8%
Employee Cost	24,885	25,523	22,993	-2.5%	8.2%	99,731	94,291	5.8%
Other Expenses	44,083	41,903	42,116	5.2%	4.7%	167,718	154,182	8.8%
EBITDA	34,249	41,924	30,915	-18.3%	10.8%	150,862	129,870	16.2%
EBITDA Margins (%)	26.4%	30.7%	25.8%	-423 bps	63 bps	28.7%	26.8%	191 bps
Depreciation	6,638	6,306	6,504	5.3%	2.1%	25,754	25,566	0.7%
EBIT	27,611	35,618	24,412	-22.5%	13.1%	125,108	104,304	19.9%
Other Income	6,129	4,656	6,059	31.6%	1.1%	19,650	13,542	45.1%
Interest Expense	491	515	736	-4.6%	-33.2%	2,314	2,385	-3.0%
Net (gain) /loss on FX	-2,912	1,834	564	NM	NM	-1,855	-361	413.5%
Exceptional Items	3,617	3,162	1,016	NM	NM	6,779	4,943	NM
PBT	32,544	34,764	28,155	-6.4%	15.6%	137,521	110,879	24.0%
Tax	10,937	5,589	1,489	95.7%	634.4%	27,720	14,395	92.6%
Share of Associates	-67	-46	-79	NM	NM	-154	-384	-60.0%
Minority Interest	41	96	42	NM	-2.6%	357	337	6.1%
PAT	21,499	29,034	26,546	-26.0%	-19.0%	109,290	95,764	14.1%
PAT Margin	16.6%	21.2%	22.2%	-464 bps	-556 bps	20.8%	19.7%	104 bps
Adj PAT	22,203	34,029	28,126	-34.8%	-21.1%	114,214	100,346	13.8%
Adj. PAT Margin	17.1%	24.9%	23.5%	-775 bps	-634 bps	21.7%	20.7%	164.2%
EPS	9.0	12.1	11.1	-25.6%	-18.9%	45.6	39.9	14.2%
Adj. EPS	9.3	14.2	11.7	-34.8%	-21.1%	47.6	41.8	13.8%

Source: Company, DevenChoksey Research

Segment Data

Segments Result (% YoY)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Revenue from operations	10.1%	6.3%	10.5%	10.5%	8.5%
Formulations	10.0%	7.2%	11.1%	10.3%	7.9%
India	10.2%	16.4%	11.0%	13.8%	13.6%
US	11.9%	0.5%	21.9%	0.7%	1.7%
EM	11.8%	10.5%	4.6%	11.6%	10.9%
Row	3.5%	-1.4%	-2.2%	22.7%	6.4%
API	7.9%	-8.3%	7.4%	21.8%	28.2%
Others	51.7%	-30.6%	-66.8%	-32.7%	-17.3%

Source: Company, DevenChoksey Research

Sun Pharmaceutical Industries Ltd.

Exhibit 1: Profit & Loss Statement

INR Mn	FY24	FY25	FY26E	FY27E
Revenues	484,969	525,784	571,960	618,170
COGS	106,626	107,474	115,036	122,320
Gross profit	378,342	418,311	456,924	495,850
Employee cost	94,291	99,731	111,063	117,452
Other expenses	154,182	167,718	183,027	196,578
EBITDA	129,870	150,862	162,834	181,819
Depreciation	25,566	25,754	26,717	27,864
EBIT	104,304	125,108	136,117	153,955
Finance Costs	2,385	2,314	2,409	2,502
Other Income	13,542	19,650	20,591	22,872
PBT	110,879	137,521	154,299	174,326
Tax	14,395	27,720	33,946	38,352
PAT	95,764	109,290	120,127	135,718
EPS (INR)	39.9	45.6	50.1	56.6
Adj. PAT	100,346	114,214	120,127	135,718
Adj. EPS (INR)	41.8	47.6	50.1	56.6

Exhibit 3: Cash Flow Statement

INR Mn	FY24	FY25	FY26E	FY27E
CCFO	121,350	140,721	140,497	150,076
CFFI	(6,902)	(53,062)	(39,094)	(30,109)
CFFF	(67,102)	(79,058)	(42,168)	(47,422)
Net Inc/Dec in cash	47,346	8,601	59,234	72,545
Opening Cash	46,237	92,857	102,688	161,922
Adjustment	(727)	1,230	0	0
Closing Cash	92,857	102,688	161,922	234,467

Exhibit 4: Key Ratio

INR Mn	FY24	FY25	FY26E	FY27E
EBITDA Margin (%)	26.8%	28.7%	28.5%	29.4%
Tax rate (%)	13.0%	20.2%	22.0%	22.0%
Net Profit Margin (%)	20.7%	21.7%	21.0%	22.0%
RoE (%)	14.9%	15.8%	14.9%	15.1%
RoCE (%)	16.8%	19.5%	19.0%	19.3%
Current Ratio (x)	2.6	2.9	3.0	3.3
P/E(x)	40.2	35.4	33.6	29.8

Source: Company, DevenChoksey Research

Exhibit 2: Balance Sheet

INR Mn	FY24	FY25	FY26E	FY27E
Equity				
Equity Capital	2,399	2,399	2,399	2,399
Other Equity	634,268	719,781	800,148	890,946
Total Equity	671,259	724,860	805,453	896,507
Non-Current Liabilities				
Other financial liabilities	3,023	3,664	3,664	3,664
Provisions	4,139	4,650	5,059	5,468
Other Non-Current Liabilities	6,731	5,890	5,890	5,890
Total Non-Current Liabilities	13,893	14,204	14,613	15,021
Current Liabilities				
Borrowings	29,701	18,671	18,671	18,671
Trade Paybles	56,533	63,212	67,660	71,944
Other current liabilities	83,604	100,059	115,057	123,177
Total Current Liabilities	169,838	181,942	201,388	213,792
Total Liabilities	183,737	196,146	216,000	228,813
Non-Current Assets				
Property Plants and Equipments	101,923	100,359	102,517	105,861
Goodwill (Net)	85,690	89,394	89,394	89,394
Other Non-current assets	232,634	205,008	219,860	223,619
Total Non-Current Assets	420,247	394,761	411,772	418,873
Current Assets				
Inventories	98,683	102,433	111,429	120,432
Trade Receivables	112,494	130,461	141,919	153,384
Cash and Bank	105,207	113,316	172,551	245,096
Other current assets	117,948	180,034	183,783	187,534
Total Current Assets	434,331	526,245	609,681	706,446
Total Assets	854,997	921,006	1,021,453	1,125,320

Sun Pharmaceutical Industries Ltd.

Sun Pharmaceutical Industries Ltd.			
Date	CMP (INR)	TP (INR)	Recommendation
27-May-25	1,683	1,811	ACCUMULATE
03-Feb-25	1,741	1,967	ACCUMULATE
30-Oct-24	1,872	1,967	ACCUMULATE
13-Aug-24	1,740	1,827	ACCUMULATE
23-May-24	1,495	1,827	BUY
19-Mar-24	1,548	1,827	BUY
02-Feb-24	1,408	1,627	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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DRChoksey FinServ Private Limited

CIN Number -U67100MH2020PTC352816

Registered Office and Corporate Office:

5th Floor Abhishek Building, Behind Monginis Cake Factory, Off New Link Road, Andheri West, Mumbai-400058