

# SUN PHARMACEUTICALS

## VISIT NOTE

### KEY DATA

|                                  |             |
|----------------------------------|-------------|
| <b>Rating</b>                    | <b>HOLD</b> |
| Sector relative                  | Neutral     |
| Price (INR)                      | 1,658       |
| 12 month price target (INR)      | 1,830       |
| 52 Week High/Low                 | 1,960/1,553 |
| Market cap (INR bn/USD bn)       | 3,978/45.1  |
| Free float (%)                   | 45.5        |
| Avg. daily value traded (INR mn) | 3,883.8     |

### SHAREHOLDING PATTERN

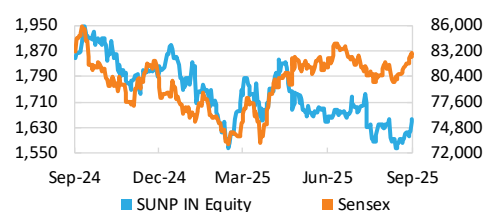
|          | Jun-25 | Mar-25 | Dec-24 |
|----------|--------|--------|--------|
| Promoter | 54.48% | 54.48% | 54.58% |
| FII      | 17.26% | 17.96% | 18.05% |
| DII      | 19.50% | 18.70% | 18.55% |
| Pledge   | 0.88%  | 0.88%  | 0.69%  |

### FINANCIALS

(INR mn)

| Year to March      | FY24A    | FY25A    | FY26E    | FY27E    |
|--------------------|----------|----------|----------|----------|
| Revenue            | 4,84,969 | 5,25,784 | 5,67,269 | 6,21,061 |
| EBITDA             | 1,30,231 | 1,52,717 | 1,66,837 | 1,86,306 |
| Adjusted profit    | 1,00,707 | 1,19,844 | 1,23,540 | 1,39,397 |
| Diluted EPS (INR)  | 42.0     | 49.9     | 51.5     | 58.1     |
| EPS growth (%)     | 16.5     | 19.0     | 3.1      | 12.8     |
| RoAE (%)           | 16.0     | 16.1     | 15.2     | 16.5     |
| P/E (x)            | 40.7     | 34.2     | 33.1     | 29.4     |
| EV/EBITDA (x)      | 30.2     | 25.3     | 23.3     | 20.6     |
| Dividend yield (%) | 0.7      | 0.9      | 1.0      | 1.2      |

### PRICE PERFORMANCE



## Existing strategy to endure

We recently met with Ms Jayashree Satagopan, new CFO of Sun Pharma to understand the current vision of management on domestic and innovative business. Note that Sun has recently undergone several changes in management with Mr Kirti Ganorkar appointed as MD and Mr Richard Ascroft appointed as CEO, North America.

Sun will continue to focus on domestic formulations and innovative medicines business. Management is eyeing domestic growth via field force expansion and GLP-1 launch next year. The initial impression of Leqselvi's US launch seems encouraging, but it will take a couple of years to stabilise. Sun expects Ilumya to do well despite future competition from oral IL-23; retain 'HOLD' with a TP of INR1,830.

### Domestic business: Field force expansion and GLP-1 to be key drivers

Sun Pharma expects to report growth driven by field force expansion and introduction of new products. We think field force productivity would remain flattish until field force addition slows down. The company is also geared for generic GLP-1 launch in CY26 and can benefit due to limited competition in the market.

### Innovative medicine business: Initial Leqselvi engagements cheering

The ramp-up in Sun's innovative medicines business has led to ~500bp margin expansion for Sun Pharma. The company has launched Leqselvi and added corresponding sales force in the US. The initial engagements are encouraging, but the product would take a couple of years to stabilise. Sun awaits second phase III trial readout on Rinvoq after Abbvie posted superior efficacy data in the first readout. Unloxyt is awaiting commercial launch in H2FY26. Sun believes it shall continue to benefit from Ilumya's medical benefit advantage even though J&J's first in class oral IL-23 receptor peptide (Icotrokinra) posted equivalent efficacy in moderate-to-severe psoriasis. Ilumya has also met the primary endpoint in Psoriatic Arthritis and the trial data is awaited. Note that Icotrokinra is also under trial in psoriatic arthritis. Refer to Sun Pharma's [TRx trends](#) in this report.

### Capital allocation: Domestic, innovation and new capacity in MP

Sun's capital allocation priority would continue to be India and innovative medicines. It plans to continue with field force expansion (as per requirement), launch new introductions (India) and invest in innovative products. While Sun shall continue to pursue the inorganic expansion route for innovative portfolio, we think it would not allocate a large budget for R&D/M&A. Sun currently has adequate capacity for domestic formulations however as Halol/Mohali are under compliance issues, Sun is planning to add a new capacity in Madhya Pradesh, which will take four-five years.

### Tax rate set to go up; retain 'HOLD'

We estimate Sun's revenue/PAT shall grow at 9%/8% CAGR over FY25-27E with margins improving by 100bp, but the tax rate inching up going forward; retain 'HOLD' with an unchanged target price of INR1,830 (31x FY27E EPS).

## Bio in brief



**Ms Jayashree Satagopan**

*EVP — Finance & Accounts and  
Chief Financial Officer*

Ms Jayashree Satagopan joined Sun Pharma in May-25 and was appointed Chief Financial Officer effective from July 1, 2025.

She is a Bachelor of Commerce from the University of Madras, and holds professional qualifications as Chartered Accountant (CA), Cost and Management Accountant (CMA), and Company Secretary (CS).

In her last role, she was associated with Coromandel International as President Corporate and Chief Financial Officer. In over three decades of her career, she was associated with PI Industries, International Paper Company, GE Healthcare, Ford India, and Ashok Leyland.

She brings with her experience of managing multiple portfolios, cutting across various geographies, in diverse sectors such as agri-solutions, healthcare, manufacturing, and automotive sector.

## Financial Statements

### Income Statement (INR mn)

| Year to March          | FY24A    | FY25A    | FY26E    | FY27E    |
|------------------------|----------|----------|----------|----------|
| Total operating income | 4,84,969 | 5,25,784 | 5,67,269 | 6,21,061 |
| Gross profit           | 3,78,342 | 4,18,311 | 4,51,504 | 4,94,052 |
| Employee costs         | 94,291   | 99,731   | 1,08,623 | 1,19,244 |
| R&D cost               | 31,775   | 32,485   | 36,457   | 33,342   |
| Other expenses         | 1,22,046 | 1,33,378 | 1,39,587 | 1,55,159 |
| EBITDA                 | 1,30,231 | 1,52,717 | 1,66,837 | 1,86,306 |
| Depreciation           | 25,566   | 25,754   | 26,766   | 29,033   |
| Less: Interest expense | 2,385    | 2,314    | 2,151    | 1,320    |
| Add: Other income      | 13,542   | 19,650   | 20,259   | 22,285   |
| Profit before tax      | 1,15,438 | 1,44,146 | 1,57,962 | 1,78,018 |
| Prov for tax           | 14,395   | 27,720   | 34,130   | 38,321   |
| Less: Exceptional item | (4,943)  | (6,779)  | (8,180)  | 0        |
| Reported profit        | 95,764   | 1,09,290 | 1,15,360 | 1,39,397 |
| Adjusted profit        | 1,00,707 | 1,19,844 | 1,23,540 | 1,39,397 |
| Diluted shares o/s     | 2,399    | 2,399    | 2,399    | 2,399    |
| Adjusted diluted EPS   | 42.0     | 49.9     | 51.5     | 58.1     |
| DPS (INR)              | 12.1     | 15.1     | 16.8     | 20.3     |
| Tax rate (%)           | 12.5     | 19.2     | 21.6     | 21.5     |

### Important Ratios (%)

| Year to March          | FY24A | FY25A | FY26E | FY27E |
|------------------------|-------|-------|-------|-------|
| Gross Margin (%)       | 78.0  | 79.6  | 79.6  | 79.5  |
| R&D as a % of sales    | 6.7   | 6.2   | 6.5   | 5.4   |
| Net Debt/EBITDA        | (1.2) | (1.5) | (1.2) | (1.4) |
| EBITDA margin (%)      | 26.9  | 29.0  | 29.4  | 30.0  |
| Net profit margin (%)  | 20.8  | 22.8  | 21.8  | 22.4  |
| Revenue growth (% YoY) | 10.4  | 9.0   | 8.1   | 9.3   |
| EBITDA growth (% YoY)  | 11.8  | 17.3  | 9.2   | 11.7  |
| Adj. profit growth (%) | 16.5  | 19.0  | 3.1   | 12.8  |

### Assumptions (%)

| Year to March      | FY24A   | FY25A   | FY26E   | FY27E |
|--------------------|---------|---------|---------|-------|
| GDP (YoY %)        | 6.7     | 6.0     | 6.2     | 6.2   |
| Repo rate (%)      | 6.5     | 6.0     | 5.0     | 5.0   |
| USD/INR (average)  | 82.8    | 84.5    | 85.5    | 85.5  |
| India growth (%)   | 9.5     | 13.7    | 12.8    | 12.0  |
| Exports growth (%) | 11.8    | 7.0     | 6.0     | 6.0   |
| US sales (USD mn)  | 1,854.0 | 1,921.0 | 1,979.2 | 509.4 |
| API sales (USD mn) | 231.8   | 251.9   | 265.8   | 66.3  |
| Capex (USD mn)     | 283.3   | 284.1   | 372.7   | 407.8 |

### Valuation Metrics

| Year to March      | FY24A | FY25A | FY26E | FY27E |
|--------------------|-------|-------|-------|-------|
| Diluted P/E (x)    | 40.7  | 34.2  | 33.1  | 29.4  |
| Price/BV (x)       | 6.4   | 5.7   | 5.1   | 4.6   |
| EV/EBITDA (x)      | 30.2  | 25.3  | 23.3  | 20.6  |
| Dividend yield (%) | 0.7   | 0.9   | 1.0   | 1.2   |

Source: Company and Nuvama estimates

### Balance Sheet (INR mn)

| Year to March        | FY24A    | FY25A    | FY26E    | FY27E     |
|----------------------|----------|----------|----------|-----------|
| Share capital        | 2,399    | 2,399    | 2,399    | 2,399     |
| Reserves             | 6,34,268 | 7,19,781 | 7,94,765 | 8,85,373  |
| Shareholders funds   | 6,36,668 | 7,22,180 | 7,97,164 | 8,87,772  |
| Minority interest    | 34,592   | 2,679    | 3,189    | 3,709     |
| Borrowings           | 28,457   | 18,696   | 15,943   | 13,317    |
| Trade payables       | 56,533   | 61,843   | 66,829   | 73,166    |
| Other liabs & prov   | 49,688   | 63,927   | 72,437   | 83,303    |
| Total liabilities    | 8,13,960 | 8,76,930 | 9,64,072 | 10,70,583 |
| Net block            | 1,01,923 | 1,00,359 | 1,03,876 | 1,07,962  |
| Intangible assets    | 1,73,020 | 1,79,600 | 1,81,195 | 1,82,949  |
| Capital WIP          | 11,077   | 12,343   | 12,343   | 12,343    |
| Total fixed assets   | 2,86,020 | 2,92,302 | 2,97,414 | 3,03,255  |
| Non current inv      | 64,412   | 46,977   | 77,149   | 84,464    |
| Cash/cash equivalent | 1,91,052 | 2,49,877 | 2,18,175 | 2,68,227  |
| Sundry debtors       | 1,12,494 | 1,30,461 | 1,52,308 | 1,70,154  |
| Loans & advances     | 9,591    | 17,711   | 11,345   | 12,421    |
| Other assets         | 1,45,652 | 1,34,201 | 2,03,284 | 2,27,666  |
| Total assets         | 8,13,960 | 8,76,930 | 9,64,072 | 10,70,583 |

### Free Cash Flow (INR mn)

| Year to March         | FY24A      | FY25A    | FY26E    | FY27E    |
|-----------------------|------------|----------|----------|----------|
| Reported profit       | 95,764     | 1,09,290 | 1,15,360 | 1,39,397 |
| Add: Depreciation     | 25,566     | 25,754   | 26,766   | 29,033   |
| Interest (net of tax) | 2,385      | 2,314    | 2,151    | 1,320    |
| Others                | (1,24,071) | (16,864) | 0        | 0        |
| Less: Changes in WC   | 10,621     | (3,236)  | (43,952) | (21,850) |
| Operating cash flow   | 1,21,350   | 1,40,721 | 1,09,014 | 1,48,420 |
| Less: Capex           | (23,451)   | (24,014) | (31,877) | (34,874) |
| Free cash flow        | 97,899     | 1,16,707 | 77,137   | 1,13,546 |

### Key Ratios

| Year to March         | FY24A | FY25A | FY26E | FY27E |
|-----------------------|-------|-------|-------|-------|
| RoE (%)               | 16.0  | 16.1  | 15.2  | 16.5  |
| RoCE (%)              | 17.4  | 20.3  | 20.6  | 20.9  |
| Inventory days        | 349   | 342   | 375   | 414   |
| Receivable days       | 85    | 84    | 91    | 95    |
| Payable days          | 194   | 201   | 203   | 201   |
| Working cap (% sales) | 25.6  | 22.0  | 33.0  | 34.4  |
| Gross debt/equity (x) | 0     | 0     | 0     | 0     |
| Net debt/equity (x)   | (0.2) | (0.3) | (0.3) | (0.3) |
| Interest coverage (x) | 43.9  | 54.9  | 65.1  | 119.1 |

### Valuation Drivers

| Year to March     | FY24A | FY25A | FY26E | FY27E |
|-------------------|-------|-------|-------|-------|
| EPS growth (%)    | 16.5  | 19.0  | 3.1   | 12.8  |
| RoE (%)           | 16.0  | 16.1  | 15.2  | 16.5  |
| EBITDA growth (%) | 11.8  | 17.3  | 9.2   | 11.7  |
| Payout ratio (%)  | 30.3  | 33.1  | 35.0  | 35.0  |

## Key takeaways from meeting with CFO

### India business: Focus on new launches, MR expansion and GLP-1

#### What is working for Sun Pharma in domestic formulations?

Sun Pharma's outperformance versus IPM over the past few year's sales is driven by field force expansion, growing doctor engagement, strong brand equity and customer stickiness. The company launched ~40 products in FY25 and would continue to launch new products, which can help Sun grow in domestic formulations. Furthermore, the company would continue to add field force as per requirements (in the near term). Sun is already the number one ranked company in 13 therapies. However, adding MRs has worked quite well for the company. Sun does not have a high exposure for in-licensed portfolio.

#### Innovation in India

The Indian market is also warming up for innovative products and there is traction in products such as monoclonal antibodies and cardiac products. The domestic market seems to be ready to pay a premium for innovation, as demand possibly exists for drugs with incremental therapeutic benefit than the existing standard of care. Currently, some large companies are focused on innovative products in India. Sun Pharma has launched Cequa in India.

For the domestic business, the company has enough capacity. While oncology is a growing area in India, Sun will not enter in the institutional segment.

#### GLP-1 opportunity in India

GLP-1 (generic Semaglutide) remains a formidable opportunity for the Indian pharma industry. However, it would be difficult to put a number to the opportunity. While the opportunity opens up, there could be constraints because of supply chain and hence, all players shall be unable to launch on day-1. Overall, GLP-1 is likely to be a good opportunity for Indian branded generic players, including for Sun Pharma.

#### How Sun is planning to capture the GLP-1 opportunity in India

Sun Pharma would be launching its generic Semaglutide on day 1 of expiry. The initial focus would be in the metro cities and then on tier 2/3 cities. As Semaglutide is nearing the patent expiry, Sun would not have enough time to in-license any GLP-1 drug. Hence, Sun would prefer to build its own GLP-1 brand.

### Innovative medicines business: Leading Sun's margin improvement

#### Innovative products portfolio leads to ~500bp gross margin expansion in consolidated financials. Sun is open to expand geographical footprint and portfolio

The specialty portfolio has benefitted Sun in expanding its consolidated gross margins by ~500bps in the past five years, which has also led to an improvement in EBITDA margins. Sun can further expand its specialty portfolio by investing in phase II type assets in the future. While Sun is open to addition of specialty assets, it may not spend a large amount on R&D or acquisition of specialty assets. Sun is largely focused on the US market, but is also open to looking at the other developed markets, especially in Europe. In the near-to-mid-term, Ilumya, Winlevi, Cequa and Odomzo would drive the specialty business growth.

#### Tariffs: Sun may avoid US tariffs on European products due to supply chain

The US tariff situation remains uncertain, however, as things stand, the European tariffs would only be applicable after conclusion of section 232 inquiry. The tariffs on Europe are also based on substantive transformation of the branded products.

While Sun Pharma's specialty portfolio label shows manufacturing location in Europe, some of its products see substantive transformation outside Europe (manufacturing of drug substance). Hence, Sun believes it can avoid tariffs in Europe. The MFN based pricing would affect Medicaid and most of Sun's specialty products are a part of Medicare.

#### **Winlevi: performance turns around**

Winlevi's TRx growth has been weak in the past. The company made some changes in its distribution a year back, which has led to improvement in the performance in the recent months. The product is now seeing TRx growth, which can help to drive the specialty portfolio growth in the medium term.

#### **Ilumya: Not expecting tariff impact due to manufacturing in South Korea; ramp-up likely to continue due to advantage from medical benefit**

Ilumya drug substance is being manufactured in South Korea and hence, European tariffs would not be applicable as per management's current thought process. For Sun Pharma, it will take some time to change the source of drug substance manufacturing for Ilumya.

Recently J&J came up with phase III clinical trial for its IL-23 oral peptide Icotrokinra. Sun is awaiting the readout of the second phase III trial data and believes that oral IL-23 peptide does not seem to be a risk for Ilumya as it is a medical benefit product (PFS) and Sun will stick to its medical benefit strategy.

#### **Leqselvi: Initial engagements cheering, awaits Rinvoq's second Phase III trial readout**

Sun Pharma has launched the product and it is happy with the initial engagements with payers. Field force has been added and its marketing team is working on product enrolment. Leqselvi would take a couple of years to show stability.

Recently, Abbvie has come up with the phase III trial data for Rinvoq, however, Sun believes it has a head start against Rinvoq, which it should benefit from. Sun awaits the second phase III trial data. Patients on Rinvoq may face thrombotic events, which can be a significant factor to consider for patients. On the other hand, there are concerns on the Alopecia Areata market, as volumes of existing products seem to be stagnating.

#### **Unloxyt: Launch planned in H2FY26**

Launch The launch would take place in H2FY26E as Sun is expecting a label update.

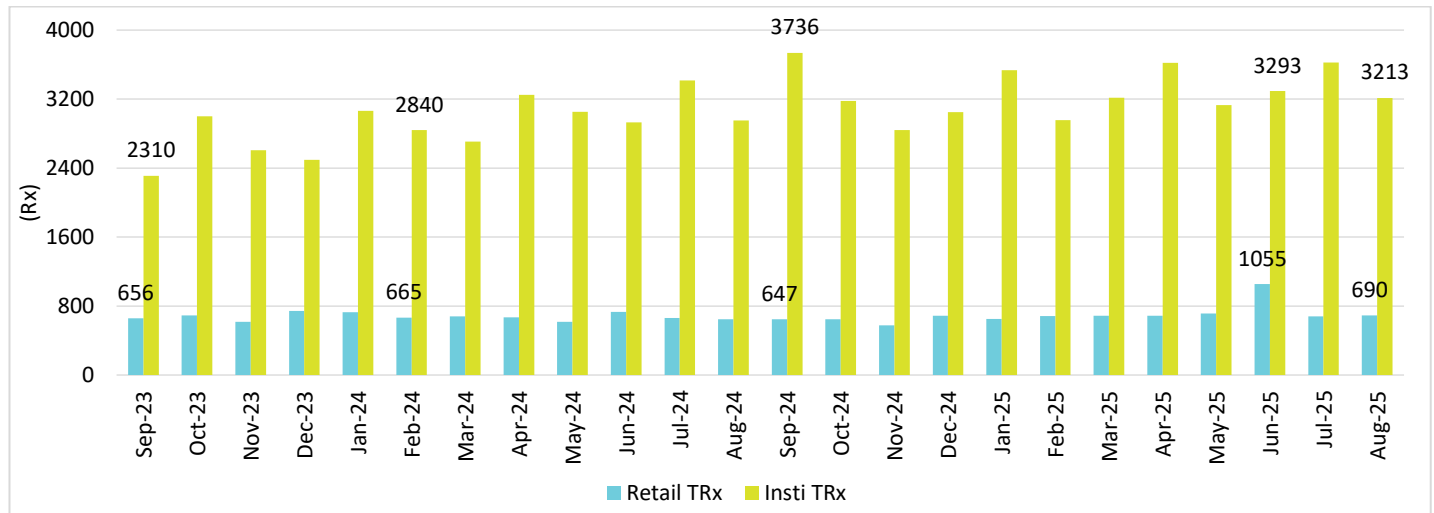
#### **Generics business: Planning to add new unit in MP**

The US generics business has been constrained due to the compliance issues at Halol and other units. The company is planning to build a new facility in Madhya Pradesh, which can help Sun in growing its generic exports. The new unit can also help in decoupling the manufacturing away from Halol and other units. The MP unit would take four–five years to be completed.

## US TRx trends

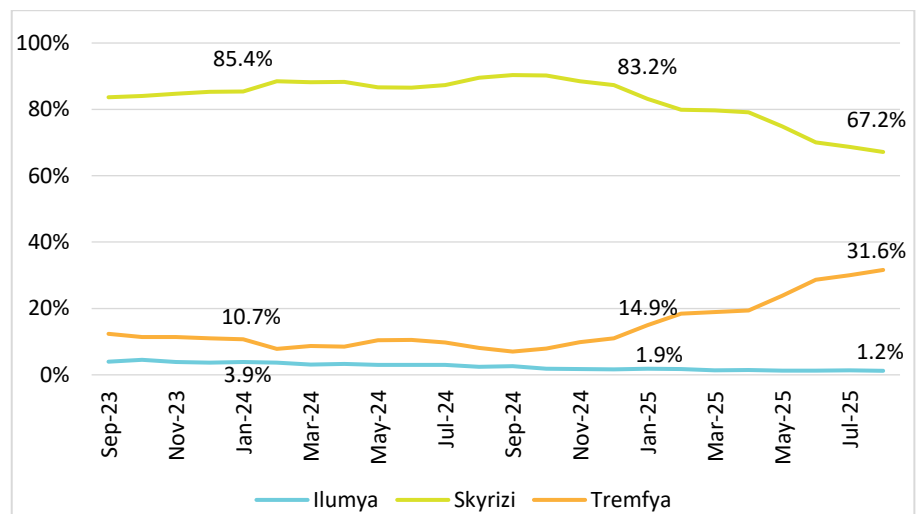
Ilumya's TRx growth for Jul-Aug'25 has been 7% YoY and it is inching up gradually. Tremfya has been ramping up well and has taken away a decent chunk of the volume share from Skyrizi over the past two years.

**Exhibit 1: Ilumya TRx increases ~7% in Jul-Aug'25 versus Jul-Aug'24**



Source: Bloomberg, Nuvama Research

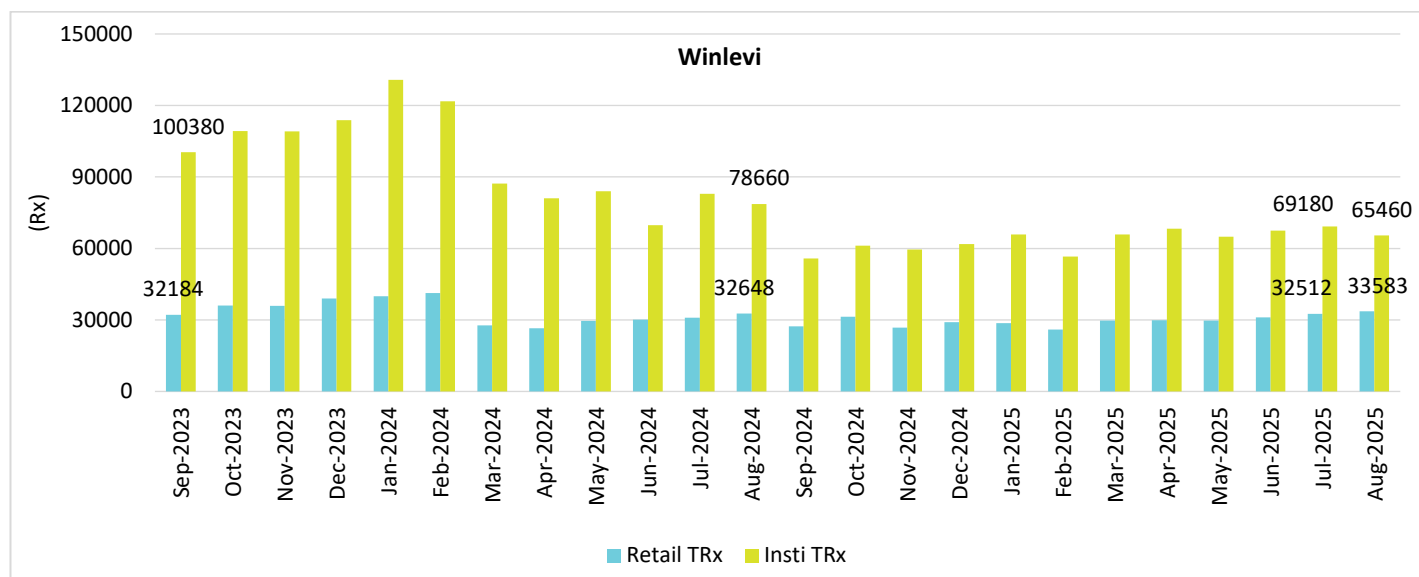
**Exhibit 2: Tremfya taking away share from Skyrizi; Ilumya largely stagnant**



Source: Bloomberg, Nuvama Research

Winlevi has been reporting a decrease in monthly prescriptions and was ~65,500 in Aug-25 versus compared with ~100,000 in Sep-23. The retail Rx has remained largely stable while the institutional Rx has seen a downward trend.

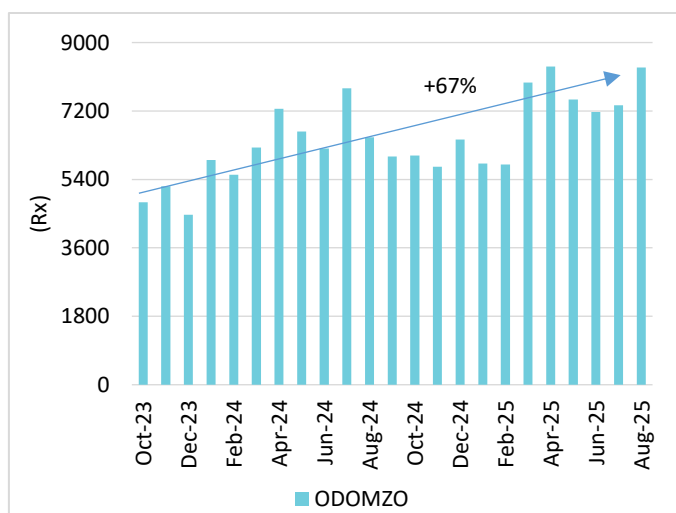
**Exhibit 3: Winlevi posting fall in institutional Rx; reports ~35% decrease in monthly institutional Rx over last two years**



Source: Bloomberg, Nuvama Research

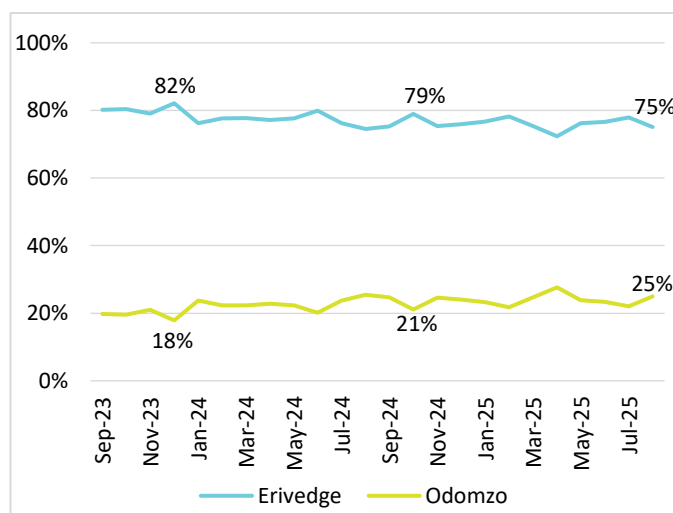
Odomzo has been reporting a consistent ramp-up in Rx over the past 20–24 months and is capturing an increased volume share. Its volume share has gone up from 18% in Dec-23 to 25% in Aug-25 vis-à-vis Erivedge's share, which has dropped from 82% to 75% over the same period.

**Exhibit 4: Odomzo posts steady pick up in Rx...**



Source: Bloomberg, Nuvama Research

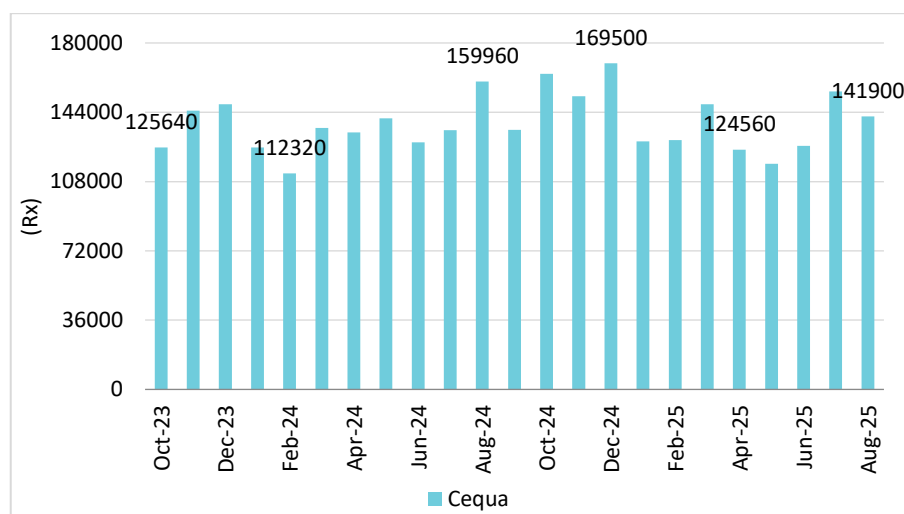
**Exhibit 5: ...and is capturing an increasing volume share**



Source: Bloomberg, Nuvama Research

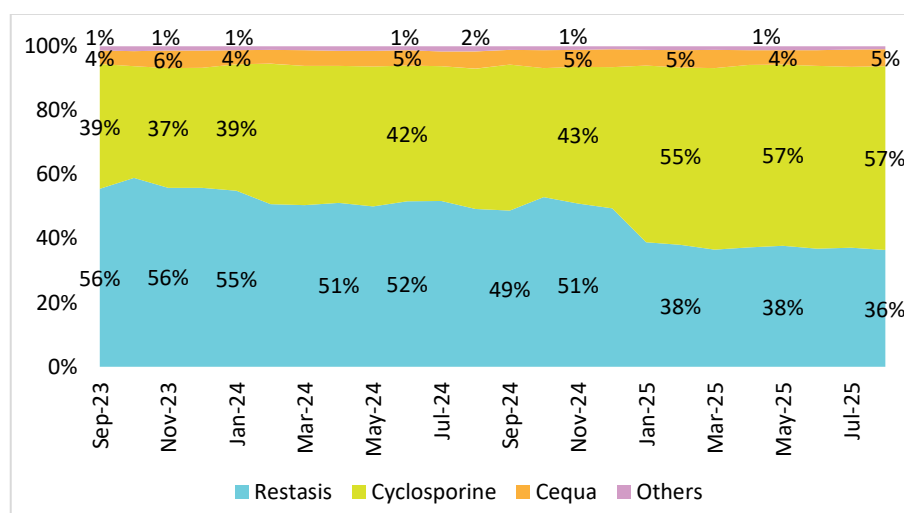
Cequa TRx has stayed range-bound with mere ~1% YoY growth in Jul–Aug'25 over Jul–Aug'24. Its market share has also remained largely stable over past two years.

**Exhibit 6: Cequa TRx stagnant at ~1% YoY growth (Jul–Aug'25 versus Jul–Aug'24)**



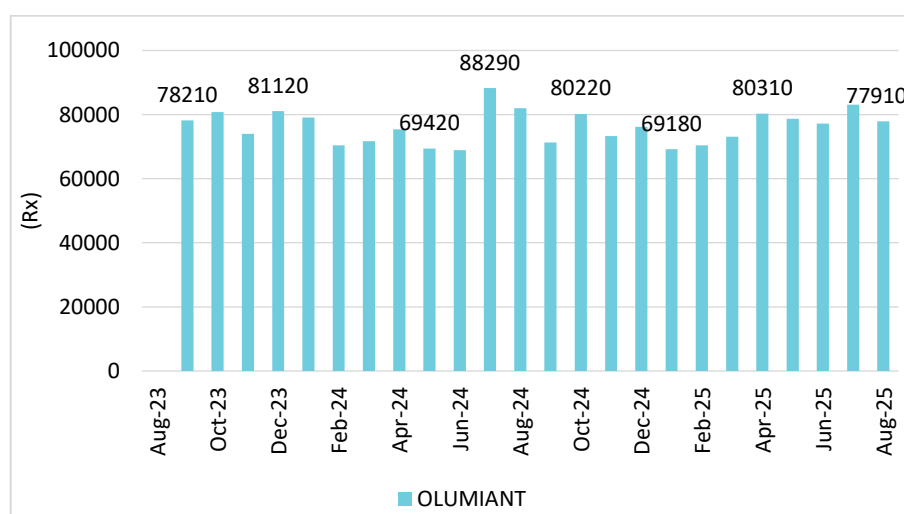
Source: Bloomberg, Nuvama Research

**Exhibit 7: Cequa largely stable with respect to market share**



Source: Bloomberg, Nuvama Research

**Exhibit 8: Olumiant TRx has remained stable despite approval in alopecia areata**



Source: Bloomberg, Nuvama Research



## Company Description

Sun Pharmaceuticals is the largest Indian Pharma company with an impressive track record of organic and inorganic growth. Various US acquisitions augment SUNP's pipeline with differentiated products, where SUNP has turned around business in a highly profitable manner – Taro/ TDPL/Natco's brands/etc. SUNP is among the first few Indian pharma players to have shifted focus to specialty from generics. It has invested ~USD2bn in this business so far. Within specialty, dermatology and ophthalmology are the key investment areas. While the company has entered the commercialisation phase for most of specialty products, it continues to invest in development of specialty pipeline, and in evaluating new markets for commercialising specialty products.

## Investment Theme

Sun's specialty products are likely to be key growth drivers in the next three years. While Absorica is likely to trough out, Ilumya and Cequa should help mitigate losses. Recovery in US business, steady EM and RoW growth, solid domestic chronic biz can provide comfort to base business. But, high R&D spend may limit earnings growth to low double digits. LEQSELVI ramp-up, Unloxyt launch and Ilumya's trial data in psoriatic arthritis are key monitorables.

## Key Risks

- Slowdown in specialty uptick particularly Ilumya
- Competition from rival products especially in Leqselvi.
- USFDA inspection risk
- Currency risk

## Additional Data

### Management

|                     |                     |
|---------------------|---------------------|
| Managing Director   | Kirti Ganorkar      |
| CFO                 | Jayashree Satagopan |
| CEO (North America) | Richard Ascroft     |
| Auditor             | S R B C & Co. LLP   |

### Holdings – Top 10\*

| % Holding     |      | % Holding   |      |
|---------------|------|-------------|------|
| ICICI Pru AMC | 3.91 | NPS Trust   | 1.37 |
| LIC           | 3.38 | HDFC AMC    | 1.10 |
| SBI Funds     | 2.06 | Norges Bank | 1.01 |
| Vanguard Inc  | 1.87 | GQG         | 0.90 |
| Blackrock     | 1.60 | UTI Asset   | 0.78 |

\*Latest public data

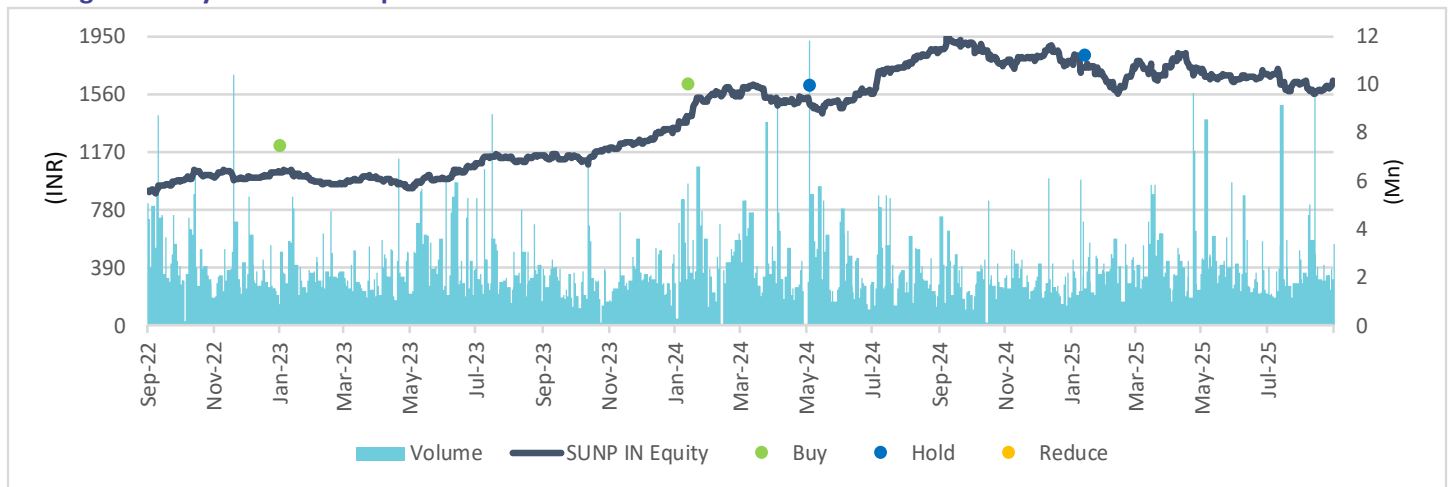
### Recent Company Research

| Date      | Title   | Price | Reco |
|-----------|---|-------|------|
| 31-Jul-25 | Product mix, ROW growth aid margin beat; <i>Result Update</i> | 1,707 | Hold |
| 22-May-25 | US policy-led overhang to persist; <i>Result Update</i>       | 1,732 | Hold |
| 31-Jan-25 | Milestone boosts earnings; trials delay; <i>Result Update</i> | 1,757 | Hold |

### Recent Sector Research

| Date      | Name of Co./Sector | Title  |
|-----------|--------------------|--|
| 12-Sep-25 | Pharmaceuticals    | US Biosecure Act back under discussion; <i>Sector Update</i> |
| 03-Sep-25 | Neuland Labs       | Promising growth panorama; <i>Initiating Coverage</i>        |
| 28-Aug-25 | Divi's Lab.        | Nearing oral GLP-1 opportunity; <i>Company Update</i>        |

### Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

### Rating Rationale & Distribution: Nuvama Research

| Rating | Expected absolute returns over 12 months | Rating Distribution |
|--------|--|---------------------|
| Buy    | 15%                                      | 202                 |
| Hold   | <15% and >-5%                            | 69                  |
| Reduce | <-5%                                     | 37                  |

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