



TM

## Sun Pharmaceuticals Industries

10 March 2025

## COMPANY UPDATE

Sector: Pharmaceuticals Rating: BUY

CMP: Rs 1,612 Target Price: 2,206

## Stock Info

Sensex/Nifty	74,115/22,460
Bloomberg	JUBLPHAR IN
Equity shares	2.4 Bn
52-wk High/Low	Rs 1,960/1,377
Face value	Rs 1
M-Cap	Rs 3,863bn/USD 45.4bn

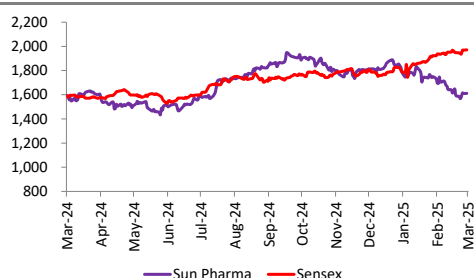
## Financial Snapshot (Rs mn)

Y/E March	FY25E	FY26E	FY27E
Sales	530,324	577,923	620,416
Gross profit	422,370	456,560	490,129
Gross Margin %	79.6%	79.0%	79.0%
EBITDA	154,768	165,661	178,817
Margin %	29.2%	28.7%	28.8%
PAT	119,596	130,629	151,242
EPS	49.5	54.4	63.0
DPS(Rs)	15.0	15.9	18.4
ROE(%)	16.5%	16.1%	16.5%
P/E(x)	36.5	33.1	28.6
EV/EBITDA (x)	26.4	24.1	21.7

## Shareholding pattern (%)

	Jun-24	Sep-24	Dec-24
Promoter	54.48	54.48	54.48
-Pledged	1.07	0.79	0.69
FII	17.73	18.01	18.04
DII	19.17	18.48	18.43
Others	9.1	9.0	9.0

## Stock Performance (1-year)



## Strengthening Onco Derma portfolio

Sun Pharmaceuticals Industries' (SUNP IN) acquisition of Checkpoint Therapeutics (CKPT) would give SUNP access to a USFDA-approved novel drug asset, Cosibelimab (approved in December 2024), meant to treat locally advanced or metastatic cutaneous squamous cell carcinoma (laCSCC and mCSCC). Through this acquisition, SUNP intends to deepen its presence in the skin cancer segment; SUNP's existing portfolio in this space includes Levulan and Odomzo, having filed Nidlegly for melanoma. The acquisition is valued at USD 355mn (USD 400mn including Contingent Value Right (CVR). We estimate peak sales opportunity of USD 250mn-USD 500mn for Cosibelimab. We retain our estimates on SUNP and retain BUY with a PT of Rs. 2,206 based on 35x FY27E EPS.

## Cosibelimab can be a USD 250mn-USD 500mn peak sales opportunity

Nearly 2.4mn annual incidences of cutaneous squamous cell carcinomas have been recorded globally, of which, 2%-4% are locally advanced/metastatic cases. Cosibelimab is a USFDA approved drug that is awaiting filing in Europe. The drug would be competing against two other approved treatment options – Keytruda (Merck) and Libatyo (Sanofi) - in the same indication. Competition in the space could intensify with a few other drugs currently undergoing clinical trials. Moreover, Keytruda (pembrolizumab) is also expected to face competition from a biosimilar 2028 onwards. We estimate a 10% market share for Cosibelimab, with a treatment cost of USD 100k per patient, which translates into peak sales opportunity of ~ USD 250mn (assuming 2% of cases as advanced/metastatic cases and 50% treatment rate).

## Potential upside to peak sales of Cosibelimab can differentiate on long term data

On the primary endpoint, the objective response rate associated with Cosibelimab stood at 47% and was comparable to Libatyo, but better than Keytruda. There is a possibility for Cosibelimab to differentiate from Libatyo on the long-term benefit. The trend for patients put on Cosibelimab, followed up for long term data, has been encouraging. Based on the most recent long-term data, Cosibelimab demonstrated robust and durable overall response rates (ORRs); in mCSCC and laCSCC, the ORR rates in patients with advanced CSCC– were 50.0% and 54.8%, respectively. Results demonstrated response deepening over time, resulting in higher complete response rates than initially reported during primary analysis. Overall, mCSCC and laCSCC showed complete response rates of 12.8% (7.7% at time of primary analysis) and 25.8% (9.7%), respectively. A clinically meaningful duration of response (DOR) was also observed with Cosibelimab, with the median yet to be reached.

## Key details of the acquisition:

**Target entity:** CKPT is a commercial-stage company focused on novel treatments for solid tumor cancers, notably with its FDA-approved drug UNLOXCYT™ (cosibelimab-ipdl) for metastatic or locally advanced cutaneous squamous cell carcinoma (CSCC).

**Transaction value:** SUNP would be paying **upfront cash amount of USD 4.10 per share, totaling USD 355mn in equity value** towards the acquisition. CKPT stockholders will also receive a CVR of up to USD 0.70 per share, payable upon

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Cosibelimab's regulatory approval in European Union (EU) or specific EU countries (Germany, France, Italy, Spain or the UK) by certain deadlines.

**Premium:** The USD 4.10 per share offer represents a **66% premium over CKPT's closing stock price on 7<sup>th</sup> March 2025.**

**Consideration:** The deal is an all-cash transaction, with no share swap involved.

**Timeline:** The transaction is expected to be completed by 2QFY26 (on or before September 2025), subject to regulatory approvals.

**Purpose:** The acquisition would strengthen SUNP's global onco-dermatology portfolio by adding UNLOXCYT™, leveraging SUNP's worldwide presence to enhance patient access to this treatment.

**Royalty agreement:** Post acquisition, Fortress Biotech (majority shareholder of CKPT) would be receiving royalties on future Cosibelimab sales, replacing prior rights from its founding of CKPT.

#### **Financial and operational context**

**CKPT's financials:** For 9MCY24, CKPT reported USD 0.04mn in revenue, a net loss of USD 27.3mn, R&D expenses of USD 19.3mn, and cash balance of USD 4.7mn with USD 17.6mn in liabilities (accounts payable and accrued expenses).

**Historical turnover:** CKPT's recorded revenue of USD 0.26mn in 2021, USD 0.19mn in 2022 and USD 0.1mn in 2023.

**About UNLOXCYT™:** The first and only FDA-approved anti-PD-L1 treatment for advanced CSCC, addressing a market of ~1.8mn annual cases in the US, 40,000 of which turned into advanced cases and 15,000 resulted in deaths annually.

**Strategic rationale:** The acquisition would enhance SUNP's innovative onco-derm therapy offerings, aligning with its global specialty product strategy.

## FINANCIALS

### Profit & Loss Statement

YE: Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Net Revenues</b>	<b>4,38,857</b>	<b>4,84,969</b>	<b>5,30,324</b>	<b>5,77,923</b>	<b>6,20,416</b>
YoY gr. (%)	13.5%	10.5%	9.4%	9.0%	7.4%
Cost of Goods Sold	1,06,622	1,06,626	1,07,954	1,21,364	1,30,287
Gross Profit	3,32,235	3,78,342	4,22,370	4,56,560	4,90,129
Margin (%)	75.7%	78.0%	79.6%	79.0%	79.0%
Employee Cost	82,960	94,291	1,01,007	1,12,118	1,23,329
Other Expenses	1,32,807	1,53,821	1,66,595	1,78,781	1,87,983
<b>EBITDA</b>	<b>1,16,468</b>	<b>1,30,231</b>	<b>1,54,768</b>	<b>1,65,661</b>	<b>1,78,817</b>
YoY gr. (%)	12.0%	11.8%	18.8%	7.0%	7.9%
Margin (%)	26.5%	26.9%	29.2%	28.7%	28.8%
Depre and Amort	25,294	25,566	25,422	29,242	30,497
EBIT	91,174	1,04,665	1,29,347	1,36,419	1,48,320
Margin (%)	20.8%	21.6%	24.4%	23.6%	23.9%
Net Interest	1,720	2,385	2,337	2,337	2,337
Other Income	6,345	13,542	18,178	19,755	32,105
Exceptional Items	-1,715	-4,943	-3,162	-	-
Profit Before Tax	94,084	1,10,879	1,42,026	1,53,837	1,78,087
Margin (%)	21.4%	22.9%	26.8%	26.6%	28.7%
Total Tax	8,476	14,395	22,711	23,076	26,713
Effective tax rate (%)	9.0%	13.0%	16.0%	15.0%	15.0%
Minority Interest & Share of					
Loss from Associates	873	721	-281	132	132
<b>Profit after tax</b>	<b>84,736</b>	<b>95,764</b>	<b>1,19,596</b>	<b>1,30,629</b>	<b>1,51,242</b>
EPS	35.3	39.9	49.5	54.4	63.0
YoY gr. (%)	158.9%	13.0%	24.0%	10.0%	15.8%

Source: Company, Systematix Institutional Research

### Cash Flow

YE: Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	94,084	1,10,879	1,45,187	1,53,837	1,78,087
Depreciation	25,294	25,566	25,422	29,242	30,497
Interest	1,720	2,385	2,337	2,337	2,337
Others	211	-12,407	-18,178	-19,755	-32,105
Working capital	-56,618	10,621	-27,621	-17,633	-14,698
Direct tax	-15,098	-15,694	-22,711	-23,076	-26,713
<b>Net cash from Op. activities</b>	<b>49,593</b>	<b>1,21,350</b>	<b>1,04,436</b>	<b>1,24,952</b>	<b>1,37,406</b>
Net Capital expenditures	-20,856	-22,018	-16,756	-17,000	-17,000
Others	-58,581	15,116	16,178	17,755	35,105
<b>Net Cash from Inv. activities</b>	<b>-79,437</b>	<b>-6,902</b>	<b>-578</b>	<b>755</b>	<b>18,105</b>
Issue of share cap. / premium	-	-	-	-	-
Debt changes	51,255	-36,560	69,869	12,384	9,946
Dividend paid	-25,189	-28,982	-36,104	-38,129	-44,146
Others	-2,306	-1,560	-5,499	-2,337	-2,337
<b>Net cash from Fin. activities</b>	<b>23,761</b>	<b>-67,102</b>	<b>28,266</b>	<b>-28,082</b>	<b>-36,537</b>
<b>Net change in cash</b>	<b>-6,083</b>	<b>47,346</b>	<b>1,32,124</b>	<b>97,625</b>	<b>1,18,973</b>

Source: Company, Systematix Institutional Research

### Balance Sheet

YE: Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	2,399	2,399	2,399	2,399	2,399
Reserves & Surplus	5,57,555	6,34,268	7,16,935	8,09,435	9,16,531
<b>Net Worth</b>	<b>5,59,954</b>	<b>6,36,668</b>	<b>7,19,334</b>	<b>8,11,834</b>	<b>9,18,930</b>
Short term debt	61,979	28,444	74,839	82,584	88,656
Long term debt	-	13	13	13	13
Trade payables	56,815	56,533	59,153	66,501	71,390
Other Provisions	53,544	53,576	79,549	86,689	93,062
Other liabilities	75,144	79,396	77,440	75,072	72,704
<b>Total Liabilities</b>	<b>8,07,436</b>	<b>8,54,629</b>	<b>10,10,329</b>	<b>11,22,693</b>	<b>12,44,756</b>
Net block	2,44,201	2,32,114	2,23,448	2,11,206	1,97,709
CWIP	49,732	53,539	53,539	53,539	53,539
Other Non-current asset	60,095	69,814	69,814	69,814	69,814
Investments	54,575	64,412	69,412	74,412	74,412
Cash and Cash Equivalents	57,703	1,05,207	2,37,331	3,34,956	4,53,929
Debtors	1,14,385	1,12,494	1,45,294	1,58,335	1,69,977
Inventories	1,05,131	98,683	96,123	1,08,064	1,16,009
Other current asset	1,21,615	1,18,366	1,15,366	1,12,366	1,09,366
<b>Total Assets</b>	<b>8,07,436</b>	<b>8,54,629</b>	<b>10,10,329</b>	<b>11,22,693</b>	<b>12,44,756</b>

Source: Company, Systematix Institutional Research

### Ratios

YE: Mar	FY23	FY24	FY25E	FY26E	FY27E
<b>Per Share(Rs)</b>					
EPS	35.3	39.9	49.5	54.4	63.0
CEPS	45.9	50.6	60.1	66.6	75.7
BVPS	233.4	265.4	299.8	338.4	383.0
DPS	10.5	12.5	15.0	15.9	18.4
Return Ratio(%)					
RoCE	14.7	15.7	16.3	15.3	14.7
RoE	15.1	15.0	16.5	16.1	16.5
Balance Sheet					
Net Debt : Equity (x)	-0.2	-0.3	-0.3	-0.4	-0.5
Net Working Capital (Days)	144.7	131.9	127.3	130.6	132.2
Valuation(x)					
PER	45.7	40.4	32.6	29.6	25.6
EV/EBITDA	32.5	28.5	23.4	21.4	19.2
EV/Sales	8.6	7.6	6.8	6.1	5.5

Source: Company, Systematix Institutional Research

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