March 06, 2025

Sun Pharma Laboratories Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short-term, Fund-based/ Non-fund Based Limits	150.0	150.0	[ICRA]A1+; reaffirmed
Total	**150.0**	**150.0**	

**Instrument details are provided in Annexure-I*

Rationale

While assigning the ratings, ICRA has taken a consolidated view of Sun Pharmaceutical Industries Limited (SPIL) and its wholly owned subsidiary - Sun Pharma Laboratories Limited (SPLL) given the common management and significant operational and financial linkages between them.

The reaffirmation of the ratings for Sun Pharmaceutical industries Limited (SPIL) factors in its continued leadership position in the domestic branded generics market, growing global specialty business and a diversified and growing presence in other regulated and semi-regulated markets across the globe. Its strong business profile translates into a comfortable financial profile, characterised by healthy profitability indicators, robust credit metrics and a strong liquidity position.

SPIL's revenues grew by 8.5% to Rs. 39,619.6 crore in 9M FY2025, aided by a 13.7% YoY growth in the domestic branded generics markets and high single-digit growth across other geographies. Its revenues are expected to continue to rise at a healthy pace, supported by strong growth momentum of its global specialty sales and broad-based growth across other key geographies even as the base US generics business remains competitive due to continued price erosion and the pending regulatory approvals across three of its manufacturing facilities at Halol (Gujarat)[1], Mohali (Punjab)[2] and Dadra (Dadra and Nagar Haveli)[3]. Despite these challenges, SPIL's revenues from the US formulations segment grew by 7.2% in 9M FY2025 on account of a 20.0% YoY growth in its global specialty business, a large part of which is driven by the US. Aided by its focused approach towards developing complex molecules with limited competition and commercialization of innovative products, SPIL continues to maintain a healthy pipeline of specialty products that are expected to expand its scale in the near term. The outcome of the ongoing litigation pertaining to the launch of Leqselvi remains a key monitorable in this regard.

SPIL's operating profit margins (OPM) improved to 29.2% in 9M FY2025 from 27.0% in FY2024, aided by a favourable product mix, with growing contribution from specialty products. Notwithstanding the pricing pressure on the base US generics business, an expected increase in the research and development (R&D) expenses[4] and exposure to forex risks, the OPM is likely to continue to remain healthy over the near-to-medium term. SPIL's OPM would also continue to get support as a reasonable share of its formulations business is vertically integrated into active pharmaceutical ingredients.

SPIL's financial profile remains strong, aided by healthy cash accruals, strong net worth, low debt levels and a strong liquidity profile with a net cash surplus of $3.0 billion at a consolidated level (including Taro) as on December 31, 2024. ICRA notes the acquisition of all the outstanding ordinary shares of Taro Pharmaceuticals Industries Limited (Taro), not held by SPIL for a consideration of Rs. 2,902 crore on June 24, 2024.

[1] *Received import alert from United states Food and Drugs Administration (US FDA) in December 2022*

[2] *Received a non-compliance letter from US FDA in April 2023*

[3] *Received a warning letter from US FDA in June 2024*

[4] *As per ICRA's expectations*

SPIL's operations remain exposed to regulatory risks. Its regulatory non-compliances at Halol, Mohali and Dadra continue to impact supplies of some drugs to the US. While these did not have a significant impact on the company's financial profile, SPIL continues to remain exposed to further scrutiny of its other manufacturing facilities by regulatory agencies, including the US FDA. ICRA also notes SPIL's ongoing litigations, and any adverse impact of the same on SPIL's business operations and financials would be a key rating sensitivity. Further, any large inorganic investment by the company would remain an event risk, and the impact of such investments on its business and credit profiles would be monitored on a case-by-case basis.

The Stable outlook on SPIL's long-term rating reflects ICRA's opinion that the company will maintain its healthy credit profile and strong liquidity position, supported by strong cash accrual generation, with leading market position in key markets and steady expansion in its speciality products business.

Key rating drivers and their description

Credit strengths

Leadership position in branded pharma market in India, well-established presence in US generics market and diversified footprint across fast-growing emerging markets – SPIL has a well-diversified and strong global presence with a leadership position in the domestic formulations business, having a market share of 8.2%[5]. India is a key market for SPIL, contributing 32% to its consolidated revenues in 9M FY2025. SPIL's healthy market share in India is aided by its strong field force of 13,984 medical representatives (MRs) with a healthy productivity of Rs. 1.06 crore per MR per annum as on March 31, 2024. Its leading position in the high growth chronic segment, strong positioning in the acute segment, diversified therapeutic coverage and specialisation in technically complex products also strengthen its presence in the domestic branded generics market. Twenty eight of the company's brands feature among the top-300 pharmaceutical brands in India[6]. Apart from the domestic business, SPIL has been able to maintain a strong position in US, which contributed 31% to its 9M FY2025 revenues. Despite some challenges in the base generis business on account of price erosion and regulatory non-compliances constraining the new product launches, the US formulations business continues to remain a key growth driver for SPIL, aided by its strong performance in the specialty segment. SPIL is positioned as the 12th largest player in the US generics market[7]. Further, the company has a strong footprint across more than 100 countries and is increasing its focus on leveraging its products in emerging and rest of the world (ROW) markets.

Increasing contribution from the specialty portfolio expected to support revenue and margins – SPIL has a specialty portfolio of 26 innovative products, which are marketed globally. It also has a healthy pipeline of specialty products, including products like Leqselvi and Ilumya (for psoriatic arthritis indication), which are in the advanced stages of launches/ approvals/ phase 3 clinical trials. SPIL's specialty portfolio has increased at a compound annual growth rate (CAGR) of 24.7% over FY2020-FY2024, with a growth of 20.0% in 9M FY2025, aided by the robust performance of its key specialty products like Ilumya, Winlevi, CEQUA and Odomzo. The share of revenues from the specialty portfolio has also grown to 18.0% of SPIL's global revenues in FY2024 from 7.3% in FY2018. Moreover, its share is expected to continue to increase going forward, supported by growing sales of its products and a robust speciality pipeline in addition to possible acquisitions and licensing agreements. A successful launch of Leqselvi is expected to further strengthen SPIL's specialty portfolio and the outcome of the ongoing patent infringement litigations remains a monitorable in this regard.

Integrated presence across value chain – SPIL has an integrated presence across the value chain. A reasonable share of its formulations business is vertically integrated into active pharmaceutical ingredients (APIs). Moreover, the business is well diversified across generics, specialty business (US being the key market with increasing presence globally) and branded formulations business (in India and emerging markets).

Strong financial profile, characterised by healthy profitability indicators, robust credit metrics and strong liquidity – SPIL's financial profile is characterised by a strong liquidity position and robust debt coverage indicators. It had a total debt (including

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[5] *AIOCD-AWACS MAT December 2024 report*

[6] *AIOCD-AWACS MAT September 2024 report*

[7] *IQVIA data for 12 months ended September 2024*

lease liability) of Rs. 2,572 crore as on September 30, 2024, translating into a total debt/OPBDITA of 0.2 times, TOL/TNW of 0.2 times and interest coverage of 57.1 times for H1 FY2024. SPIL's financial profile is further aided by its strong liquidity profile, having a net cash surplus of $3.0 billion as on December 31, 2024.

Strong R&D pipeline and focused approach towards developing complex molecules with limited competition – SPIL has made significant investments in developing a healthy pipeline of global specialty products and a portfolio of niche and complex molecules for the US market, supported by its strong R&D capabilities. As on December 31, 2024, SPIL had 105 ANDAs[8] and 13 NDAs[9] pending approval from the US FDA. In addition, SPIL has a pipeline of seven key specialty products (including Leqselvi) in therapies, including dermatology and oncology. The company is focused on enhancing its specialty product pipeline by entering new geographies and bringing more products/indications under its coverage.

Credit challenges

Base US pharmaceutical generics business remains competitive; regular product introductions expected to mitigate risk to an extent – SPIL's base US generic business remains impacted by continued price erosion and lower new product launches on account of the pending regulatory approvals of a few of its manufacturing facilities. However, new product launches have mitigated the impact. ICRA notes the completion of the implementation of the corrective and preventive actions (CAPAs) in the Halol facility, which is currently awaiting an inspection by the US FDA. A favourable outcome of the inspection will have a positive impact on SPIL's base US generics business. Further, it is in the process of implementing its CAPA at the Mohali and Dadra facilities. Thus, SPIL's ability to continue to launch new products in the US market and ramp up its specialty products remain key factors for the growth of the US business.

Ongoing litigations, regulatory non-compliances at some manufacturing facilities as well as exposure to regulatory risks – Like its peers, SPIL remains exposed to the risk of scrutiny by regulatory agencies like the US FDA. Its Halol plant was put under import alert by the US FDA in December 2022, while its Mohali plant received a non-compliance letter in April 2023 and Dadra plant received a warning letter in June 2024. Further, the Karkhadi, Taonsa, Paonta Sahib and Dewas facilities continue to be subjected to certain provisions of the consent decree of permanent injunction. While the impact of such non-compliances is mitigated by SPIL's robust growth in the specialty segment, it continues to remain exposed to the risk of further scrutiny from regulatory agencies. SPIL is also involved in various legal proceedings including product liability and patent infringement matters, industry-wide investigation by the US DOJ[10] and anti-trust matters. Any adverse outcome of the same on the company's credit profile is a key rating sensitivity.

Liquidity position: Strong

SPIL's liquidity position is strong, supported by healthy cash flow generation and a net cash surplus of $3.0 billion as on December 31, 2024, on a consolidated basis. Its liquidity is also supported by its substantial unutilised fund-based bank facilities. On the other hand, SPIL has limited obligations in terms of expected capex of around $150-200 million per annum and no debt repayment obligations in the near-to-medium term. Its capex can be adequately funded by its existing liquidity/ internal accruals.

Rating sensitivities

Positive factors – NA

Negative factors – Pressure on the ratings could emerge if there is any significant weakening in the company's profitability, adversely impacting its credit profile. Delays in resolution of existing regulatory non-compliances or any other regulatory non-compliance issued to SPIL for its products and/or manufacturing facilities, impacting its product launches and, thus, revenues and profitability, would also be a negative rating trigger. Large debt-funded inorganic investments by the company, or any

[8] *Abbreviated New Drug Applications*

[9] *New Drug Applications*

[10] *United States Department of Justice*

adverse outcome of the ongoing litigations/lawsuits would remain an event risk, and the impact of such events on the company's business and credit profile and liquidity position would be monitored on a case-by-case basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Pharmaceuticals
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of SPIL. As on March 31, 2024, the company had 93 subsidiaries/ step-down subsidiaries, one joint venture, and 25 associates/ subsidiaries of associates, which are enlisted in Annexure-II.

About the company

SPIL is a leading Indian pharmaceutical company involved in developing, manufacturing and marketing formulations and APIs. Its business is broadly categorised into five segments — India-branded generics, US formulations (generics and speciality branded products), emerging markets (formulations), ROW business, and APIs. The company has a diversified presence across more than 100 regulated and semi-regulated markets with its branded formulations business in India accounting for ~32% of its consolidated revenues in 9M FY2025 and the US formulations business accounting for ~31%.

As on December 31, 2024, the company had 41 manufacturing facilities across India, North and South America, Asia, Africa, Australia and Europe. Many of the plants have received approvals from the USFDA, Medicines and Healthcare products Regulatory Agency (MHRA, UK) and other international regulatory authorities.

SPLL, a wholly owned subsidiary of SPIL, is involved in the manufacturing and marketing of pharmaceutical formulations in the domestic market. SPLL houses Sun Pharma Group's domestic formulations business (excluding Ranbaxy) and was formed after the transfer of the domestic formulations business of SPIL to Sun Resins & Polymers Private Limited (re-named to SPLL following the transfer) on March 31, 2012 and the amalgamation of two domestic subsidiaries, Pharma Medication Private Limited and Sun Pharma Drugs Private Limited, with effect from September 01, 2012. SPLL is a market leader in the chronic segment in India and enjoys a strong brand equity with specialist doctors.

Key financial indicators

SPIL - Consolidated	FY2023	FY2024	9M FY2025*
Operating income	43,788.0	48,570.7	39,619.6
PAT	8,560.8	9,648.4	8,819.5
OPBDIT/OI	26.7%	27.0%	29.2%
PAT/OI	19.6%	19.9%	22.3%
Total outside liabilities/Tangible net worth (times)	0.3	0.2	-
Total debt/OPBDIT (times)	0.6	0.2	-
Interest coverage (times)	68.1	54.9	-

*Source: Company, ICRA Research; * Provisional numbers; Amount in Rs. crore, PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; all ratios computed as per ICRA calculations*

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating history for past three years

		Current rating (FY2025)		Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	**Type**	**Amount Rated (Rs Crore)**	**06-MAR-2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Fund-based/ non-fund based limits	Short Term	150.00	[ICRA]A1+	04-MAR-2024	[ICRA]A1+	06-MAR-2023	[ICRA]A1+	31-MAR-2022	[ICRA]A1+
Commercial Paper Programme	Short term	-	-	-	-	06-MAR-2023	[ICRA]A1+; Withdrawn	31-MAR-2022	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Short-term, Fund-based / Non-fund Based Limits	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA’s website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Fund-based / Non-fund Based Limits	-	-	-	150.0	[ICRA]A1+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	SPIL's Ownership	Consolidation Approach
Subsidiaries		
Green Eco Development Centre Limited	100.00%	Full Consolidation
Sun Pharmaceutical (Bangladesh) Limited	72.50%	Full Consolidation
Sun Pharma De Mexico S.A. DE C.V.	75.00%	Full Consolidation
Sun Pharma Japan Ltd.	100.00%	Full Consolidation
Sun Pharma De Venezuela, C.A	100.00%	Full Consolidation
Sun Pharma Laboratories Limited	100.00%	Full Consolidation
Faststone Mercantile Company Private Limited	100.00%	Full Consolidation
Sun Pharma Holdings	100.00%	Full Consolidation
Softdeal Pharmaceutical Private Limited	100.00%	Full Consolidation
Sun Pharma (Netherlands) B.V.	100.00%	Full Consolidation
Foundation for Disease Elimination and Control of India	100.00%	Full Consolidation
Zenotech Laboratories Limited	68.84%	Full Consolidation
Sun Farmaceutica do Brasil Ltda.	99.99%	Full Consolidation
Sun Pharma France	100.00%	Full Consolidation
Sun Pharmaceutical Industries, Inc.	100.00%	Full Consolidation
Ranbaxy (Malaysia) SDN. BHD.	95.67%	Full Consolidation
Ranbaxy Nigeria Limited	86.16%	Full Consolidation
Chattem Chemicals Inc.	100.00%	Full Consolidation
The Taro Development Corporation	100.00%	Full Consolidation
Taro Pharmaceutical Industries Ltd. (Taro)	78.48%	Full Consolidation
Taro Pharmaceuticals Inc.	78.48%	Full Consolidation
Taro Pharmaceuticals U.S.A„ Inc.	78.48%	Full Consolidation
Taro Pharmaceuticals North America, Inc.	78.48%	Full Consolidation
Taro Pharmaceuticals Europe B.V.	78.48%	Full Consolidation
Taro International Ltd.	78.48%	Full Consolidation
3 Skyline LLC	78.48%	Full Consolidation
One Commerce Drive LLC	78.48%	Full Consolidation
Dusa Pharmaceuticals, Inc.	100.00%	Full Consolidation
2 Independence Way LLC	100.00%	Full Consolidation
Universal Enterprises Private Limited	100.00%	Full Consolidation
Sun Pharma Switzerland Ltd.	99.99%	Full Consolidation

Company Name	SPIL's Ownership	Consolidation Approach
Sun Pharma East Africa Limited	100.00%	Full Consolidation
PI Real Estate Ventures, LLC	100.00%	Full Consolidation
Sun Pharma ANZ Pty Ltd.	100.00%	Full Consolidation
Ranbaxy Farmaceutica Ltda.	100.00%	Full Consolidation
Sun Pharma Canada Inc.	100.00%	Full Consolidation
Sun Pharma Egypt LLC	100.00%	Full Consolidation
Rexcel Egypt LLC	100.00%	Full Consolidation
Basics GmbH	100.00%	Full Consolidation
Sun Pharma Italia srl	100.00%	Full Consolidation
Sun Pharmaceutical Industries SAC.	100.00%	Full Consolidation
Ranbaxy (Poland) SP. Z 0.0.	100.00%	Full Consolidation
SC Terapia SA	96.81%	Full Consolidation
AO Ranbaxy	100.00%	Full Consolidation
Ranbaxy South Africa (Pty) Ltd.	100.00%	Full Consolidation
Ranbaxy Pharmaceuticals (Pty) Ltd.	100.00%	Full Consolidation
Sonnke Pharmaceuticals Proprietary Limited	70.00%	Full Consolidation
Sun Pharma Laboratorios, S.LU.	100.00%	Full Consolidation
Sun Pharma UK Limited (Formerly known as Ranbaxy (U.K.) Limited)	100.00%	Full Consolidation
Sun Pharma Holdings UK Limited (Formerly known as Ranbaxy Holdings (U.K.) Limited)	100.00%	Full Consolidation
Ranbaxy Inc.	100.00%	Full Consolidation
Ranbaxy (Thailand) Co., Ltd.	100.00%	Full Consolidation
Ohm Laboratories, Inc.	100.00%	Full Consolidation
Ranbaxy Signature LLC	67.50%	Full Consolidation
Sun Pharmaceuticals Morocco LLC	100.00%	Full Consolidation
"Ranbaxy Pharmaceuticals Ukraine" LLC	100.00%	Full Consolidation
Sun Pharmaceutical Medicare Limited	100.00%	Full Consolidation
JSC Biosintez	100.00%	Full Consolidation
Sun Pharmaceuticals Holdings USA, Inc.	100.00%	Full Consolidation
Zenotech Inc	68.84%	Full Consolidation
Zenotech Farmaceutica Do Brasil Ltda	45.69%	Full Consolidation
Sun Pharma Distributors Limited	100.00%	Full Consolidation
Realstone Infra Limited	100.00%	Full Consolidation
Sun Pharmaceuticals (ÉZ) Limited	72.49%	Full Consolidation
Sun Pharma (Shanghai) Co., Ltd.	100.00%	Full Consolidation
Sun Pharma Japan Technical Operations Limited	100.00%	Full Consolidation
Alchemee, LLC	78.48%	Full Consolidation
The Proactiv Company Holdings, Inc. (Formerly known as Galderma Holdings, Inc.)	78.48%	Full Consolidation
Proactiv YK	78.48%	Full Consolidation
The Proactiv Company KK	78.48%	Full Consolidation
Alchemee Skincare Corporation (Formerly known as The Proactiv Company Corporation)	78.48%	Full Consolidation
Foliage Merger Sub, Inc.	-	Full Consolidation
Concert Pharmaceuticals, Inc.	-	Full Consolidation
Concert Pharmaceuticals Securities Corp.	100.00%	Full Consolidation
Concert Pharma U.K. Ltd.	100.00%	Full Consolidation
Concert Pharma Ireland Limited	100.00%	Full Consolidation
Sun Pharma New Milford Parent LLC	100.00%	Full Consolidation

Company Name	SPIL's Ownership	Consolidation Approach
Sun Pharma Housatonic LLC	100.00%	Full Consolidation
Sun Pharma Housatonic II LLC	100.00%	Full Consolidation
Sun Pharma Housatonic III LLC	100.00%	Full Consolidation
Alkaloida Chemical Company Zrt.	99.99%	Full Consolidation
Sun Pharmaceutical Industries (Australia) Pty Limited	100.00%	Full Consolidation
Aditya Acquisition Company Ltd.	99.99%	Full Consolidation
Sun Pharmaceutical Industries (Europe) B.V.	99.99%	Full Consolidation
Sun Pharmaceuticals Germany GmbH	99.99%	Full Consolidation
Sun Pharma Philippines, Inc.	100.00%	Full Consolidation
Caraco Pharmaceuticals Private Limited	100.00%	Full Consolidation
Sun Pharmaceutical Peru S.A.C.	100.00%	Full Consolidation
Sun Laboratories FZE	100.00%	Full Consolidation
Sun Pharma Middle East FZE LLC	100.00%	Full Consolidation
Libra Merger Ltd	99.99%	Full Consolidation
Taro Pharma Corporation, Inc.	78.48%	Full Consolidation
Vivaldis Health and Foods Private Limited	60.11%	Full Consolidation
Joint Venture		
Artes Biotechnology GmbH	45.00%	Equity Method
Associates		
Medinstill LLC	19.99%	Equity Method
Generic Solar Power LLP	28.76%	Equity Method
Trumpcard Advisors and Finvest LLP	40.61%	Equity Method
Tarsier Pharma Ltd.	20.98%	Equity Method
WRS Bioproducts Pty Ltd.	12.50%	Equity Method
Remidio Innovative Solutions Private Limited	27.39%	Equity Method
Agatsa Software Private Limited	23.47%	Equity Method
Ezerx Health Tech Private Limited	37.76%	Equity Method
Surgimatix Inc	16.33%	Equity Method
Composite Power Generation LLP	36.90%	Equity Method
Vintage Power Generation LLP	39.41%	Equity Method
Vento Power Generation LLP	40.55%	Equity Method
HRE LLC	19.22%	Equity Method
HRE II LLC	19.99%	Equity Method
HRE III LLC	19.99%	Equity Method
Dr. Py Institute LLC	19.22%	Equity Method
Medinstill Development LLC	19.22%	Equity Method
ALPS LLC	19.22%	Equity Method
Intact Pharmaceuticals LLC	19.22%	Equity Method
Intact Media LLC	19.22%	Equity Method
Intact Solutions LLC	19.22%	Equity Method
Intact Closed Transfer Connectors LLC	19.22%	Equity Method
Intact PUR-Needle LLC	19.22%	Equity Method
Medios Technologies Pte. Ltd.	27.39%	Equity Method
Remidio Innovative Solutions Inc.	27.39%	Equity Method

Source: SPIL annual report FY2024

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