

RESEARCH**BOB ECONOMICS RESEARCH | INTEREST COVER RATIO**

How has interest coverage ratio of India Inc. fared?

SUN PHARMA | TARGET: Rs 2,086 | +29% | BUY

Acquiring Checkpoint Therapeutic to widen Specialty portfolio

SUMMARY**INDIA ECONOMICS: INTEREST COVER RATIO**

Interest coverage ratio (ICR) is an important indicator of soundness of financial health of a company. The ratio, which is calculated by dividing the Profit Before Interest and Tax (PBIT) by the interest expenditure, gives a sense of debt serviceability capabilities of a company. In particular, the ratio indicates whether a company is making enough profits to cover its interest expenses. Ideally, an ICR above 1 is desirable, with a higher ratio generally indicating that the company has a higher buffer to service its debt. In this analysis, we have looked at the ICR for a sample of 2,954 companies in FYTD25 (Apr'24-Dec'24) with the same period last year, to see if there has been an improvement or deterioration in the same. The data is based on the published interim results of the companies.

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SUN PHARMA

- SUNP to acquire Checkpoint Therapeutic for US\$ 4.10 a share, at ~66% premium to its last closing price. Deal valued at US\$ 355mn
- Checkpoint received USFDA approval for product Cosibelimab (market size of US\$ 1bn), we expect UNLOXCYT sales of USD250mn by FY27E
- Factoring in UNLOXCYT sales, we raise EPS estimates by 2% in FY26 and 5% in FY27, ascribing P/E of 35x on Mar'27 for a TP of Rs 2,086

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INTEREST COVER RATIO

10 March 2025

How has interest coverage ratio of India Inc. fared?

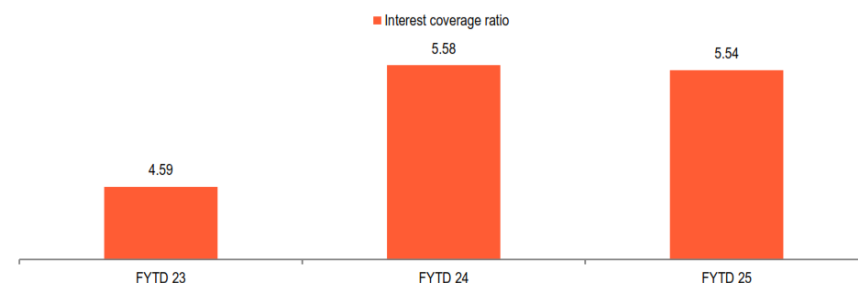
Interest coverage ratio (ICR) is an important indicator of soundness of financial health of a company. The ratio, which is calculated by dividing the Profit Before Interest and Tax (PBIT) by the interest expenditure, gives a sense of debt serviceability capabilities of a company. In particular, the ratio indicates whether a company is making enough profits to cover its interest expenses. Ideally, an ICR above 1 is desirable, with a higher ratio generally indicating that the company has a higher buffer to services its debt. In this analysis, we have looked at the ICR for a sample of 2,954 companies in FYTD25 (Apr'24-Dec'24) with the same period last year, to see if there has been an improvement or deterioration in the same. The data is based on the published interim results of the companies.

Aditi Gupta
Economist

Interest coverage ratio

Overall, the ICR has remained virtually unchanged at 5.54 in FYTD25 compared with 5.58 in the same period last year. Incidentally, the weighted average lending rate (WALR) of SCBs (fresh rupee loans) also remained broadly similar at around 9.40% in FYTD25 versus 9.34% in FYTD24. The marginal dip in ICR is consistent with a slowdown in profit growth in a few sectors. However, the ICR of over 5 indicates that corporate balance sheets remain healthy, and profit growth is more than adequate to cover the interest costs. When compared with FYTD23, the ICR has increased by close to 100bps, indicating a significant improvement in debt serviceability capability of companies. It must be noted that the ICR is impacted by both the interest costs, which in turn depends on the interest rates, as well as profit growth.

Figure 1: Interest coverage ratio of India Inc.



Source: AceEquity, Bank of Baroda Research

Sector wise ICR

Sector-wise, the movement in ICR has been presented in Table 1. There has been an increase in ICR for a wide majority of sectors in FYTD 25 when compared with the same period last year.



BUY**TP: Rs 2,086 | ▲ 29%****SUN PHARMA**

| Pharmaceuticals

| 10 March 2025

Acquiring Checkpoint Therapeutic to widen Specialty portfolio

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Foram Parekh

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SUNP to acquire Checkpoint Therapeutics: SUNP has announced it is acquiring Checkpoint Therapeutics, an immunotherapy and targeted-oncology company for US\$ 355mn. On the completion of the transaction, SUNP will have acquired all outstanding shares of Checkpoint for upfront cash payment of US\$ 4.10, ~66% premium to Friday's CMP of US\$ 2.47.

Checkpoint Therapeutics received USFDA approval for cosibelimab-ipdl:

Checkpoint Therapeutics has received USFDA approval for UNLOXCYT (cosibelimab-ipdl), the only drug to receive marketing approval for cutaneous squamous cell carcinoma ("cSCC") by the USFDA. PD-L1 inhibitors are a class of drugs that target the PD-L1 protein to treat cancer. The PD-1/PD-L1 inhibitor market was valued at around US\$ 41.83bn in 2023 and is expected as per DelveInsight to grow to US\$ 178.58bn by 2032, at a CAGR of 17.5%. Of this, the market opportunity for cosibelimab in the US is estimated to exceed US\$ 1bn annually as per Checkpoint's press release.

SUNP's Specialty portfolio to widen with the launch of UNLOXCYT: Post the completion of Checkpoint's acquisition, SUNP can launch UNLOXCYT as it has received USFDA approval. SUNP's Specialty sales contributed 18% as on FY24 and increased to 21% as on Q3FY25. We expect it to increase to ~23% by FY27 with the launch of UNLOXCYT.

Checkpoint's oncology products pipeline in early clinical trial stages:

Checkpoint focuses on the development and commercialization of novel treatments in Oncology and immunotherapy. Currently Checkpoint has products like Olafertinib and CK-103 in phase 1 trials and CK-302 and CK-303 in the preclinical stage. These products have the scope to further widen SUNP's Specialty portfolio.

Valuation outlook: As we factor in sales of UNLOXCYT in FY26 and FY27, we raise our EPS estimates by 2% to Rs 54.6 for FY26 and 5% to Rs 61.7 for FY27, Thus, we maintain a BUY rating and our TP of Rs 2,086 on SUNP for which we ascribe a P/E of 35x on Mar'27, roll forward by 3 months.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	SUNP IN/Rs 1,612
Market cap	US\$ 44.3bn
Free float	45%
3M ADV	US\$ 41.3mn
52wk high/low	Rs 1,960/Rs 1,377
Promoter/FPI/DII	54%/16%/20%

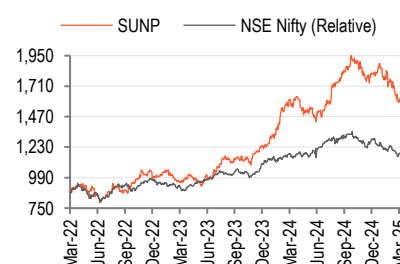
Source: NSE | Price as of 10 Mar 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	484,969	528,532	581,224
EBITDA (Rs mn)	129,884	155,376	170,813
Adj. net profit (Rs mn)	100,359	119,971	131,027
Adj. EPS (Rs)	41.8	50.0	54.6
Consensus EPS (Rs)	41.8	46.8	53.9
Adj. ROAE (%)	15.9	16.6	15.9
Adj. P/E (x)	38.5	32.2	29.5
EV/EBITDA (x)	28.6	23.7	21.1
Adj. EPS growth (%)	17.2	19.6	9.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



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BUY – Expected return $> +15\%$

HOLD – Expected return from -6% to $+15\%$

SELL – Expected return $< -6\%$

Note: Recommendation structure changed with effect from 21 June 2021

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