

May 12, 2016

BSE Code: 524715 NSE Code: SUNPHARMA Reuters Code: SUN.NS Bloomberg Code: SUNP:IN

Sun Pharma is one of the major drug makers in India and also one of the prominent specialty generic pharmaceutical companies in the world. It has a broad-based portfolio of more than 2,000 products. The company has a global presence in over 150 countries across branded and generic segments. Moreover, it owns 49 manufacturing facilities spread across 6 continents. It is backed by strong R&D capabilities across dosage forms like injectables, sprays, ointments, creams, liquids, tablets and capsules.

Key Developments

US: The key market for Sun Pharma:

Sun Pharma, derives 50% of its revenues from the US markets. It is a major generic dermatology and branded dermatology company in the US. The US product basket consists of 435 approved ANDAs (Abbreviated New Drug Applications). The company recently launched generic Gleevec (entitled to 180-days exclusivity) on 1 Feb 2016.

Performance of the domestic business:

Indian formulations contributed 24% to overall revenues. The acute, chronic and sub-chronic segments accounted for 36%, 45% and 19% of domestic revenues in FY15. Sun Pharma continues to enjoy a prominent position based on doctors' Rx in seven therapeutic areas, namely psychiatrists, neurologists, cardiologists, ophthalmologists, orthopaedics, nephrologists and gastroenterologists. In the domestic space, Ranbaxy acquisition has provided more therapeutic diversification to Sun's portfolio. In FY15, top 10 brands contributed 17% to domestic revenues.

Halol facility re-inspection due:

The company has implemented remediation measures at Halol and will request for re-inspection. The company is also witnessing resumption of supplies from Halol, which got affected due to remediation measures.

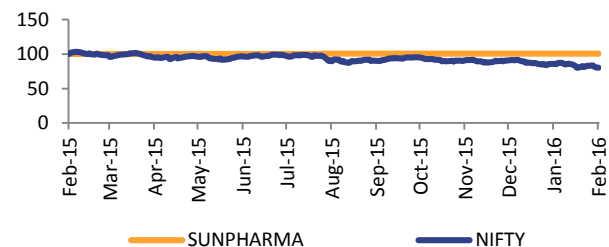
Market Data

CMP (Rs.)	796
Face Value	1.0
52 week H/L (Rs.)	1,010/704
Adj. all time High (Rs.)	1,201
Decline from 52WH (%)	21.2
Rise from 52WL (%)	13.1
Beta	0.8
Mkt. Cap (Rs.Cr)	191,590
Enterprise Value(Rs. Cr)	183,160

Fiscal Year Ended

	FY13	FY14	FY15
Total revenue (Rs.cr)	11,300	16,080	27,433
Adj. Net Profit (Rs.cr)	3,573	5,659	4,777
Share Capital (Rs.Cr)	104	207	241
EPS (Rs.)	34.5	27.3	19.9
P/E (x)	23.7	21.0	51.6
P/BV (x)	5.1	5.8	8.6
ROE (%)	23.8	30.5	19.5

One year Price Chart



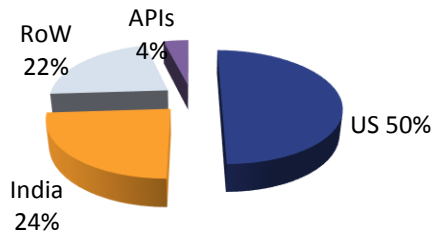
Shareholding	Dec15	Sep15	Diff.
Promoters (%)	54.9	54.7	0.2
FII (%)	28.9	27.6	1.3
DII (%)	8.7	8.0	0.7
Others (%)	7.5	9.7	(2.2)

The company has expanded both organically and through acquisitions (Caraco, Taro, Dusa, Ranbaxy).

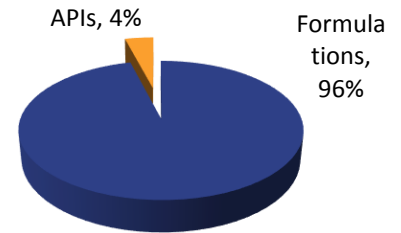
Sun Pharmaceutical Industries Ltd.: Business overview

Sun Pharma is world's major specialty generic and also India's prominent pharmaceutical company with global presence supported by 49 manufacturing facilities spread across 6 continents. The company has expanded both organically and through acquisitions (Caraco, Taro, Dusa, Ranbaxy). In Indian formulations, the company is a major player in niche therapy areas of psychiatry, gastroenterology, neurology, cardiology, nephrology, orthopaedics and ophthalmology. It covers more than 100 markets in emerging countries and six markets in Western Europe.

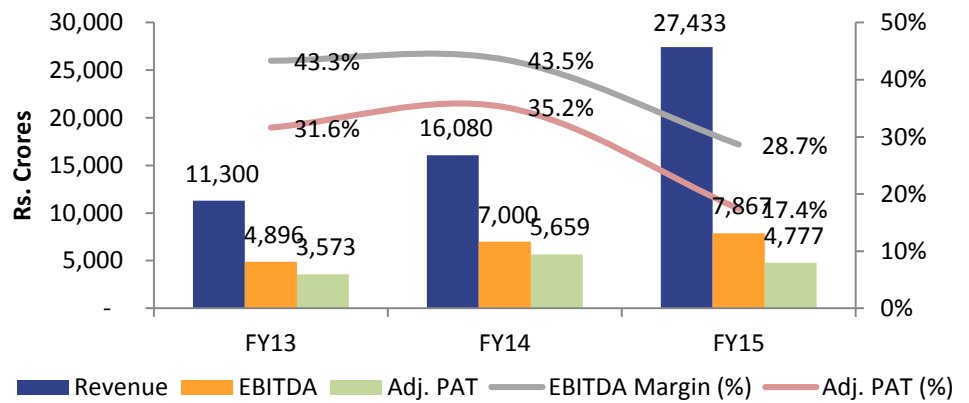
Geography wise revenue breakup (FY15)



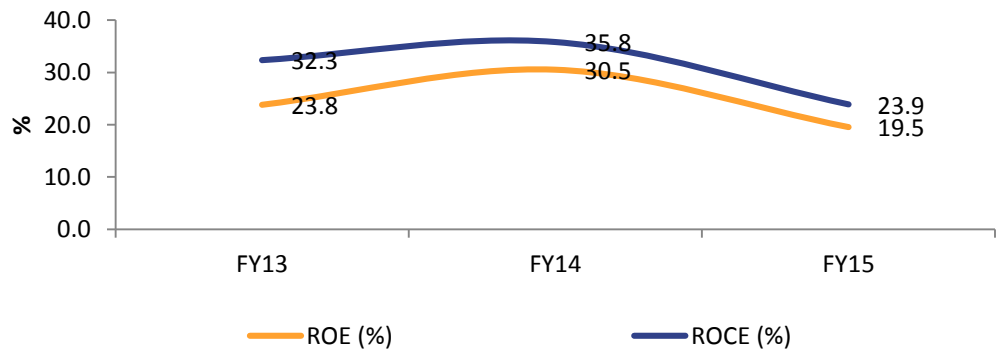
Business break-up (FY15)



Financial snapshot of Sun Pharmaceutical Industries Ltd.



Return Ratios Trend



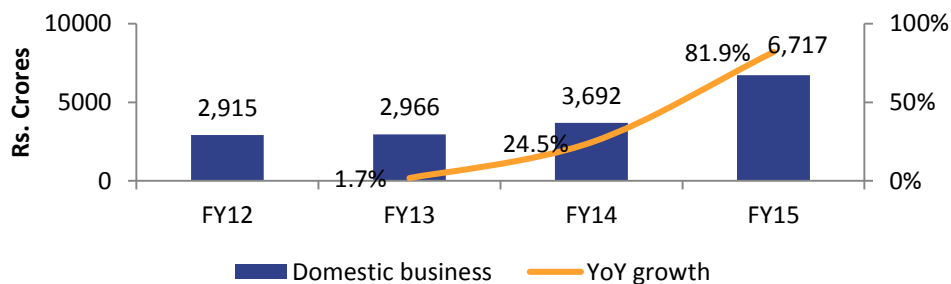
Source: Company, In-house research

Ranbaxy's acquisition has provided more therapeutic diversification to Sun's portfolio along with significant improvement in market share from 5.5% to 8.8% (with a prominent position in 12 therapies).

Domestic business performance

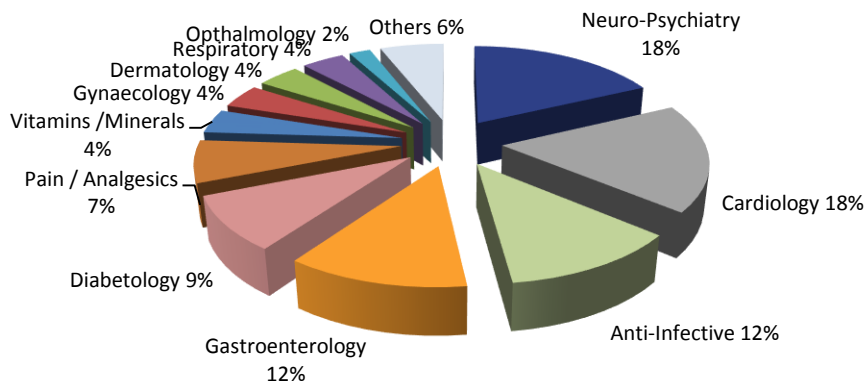
Indian formulations contributed 24% to overall revenues. The acute, chronic and sub-chronic segments accounted for 36%, 45% and 19% of domestic revenues in FY15. Sun Pharma continues to enjoy a prominent position based on doctors' Rx in seven therapeutic areas, namely psychiatrists, neurologists, cardiologists, ophthalmologists, orthopaedics, nephrologists and gastroenterologists. Top 10 brands contribute 17% of India revenues and growth is driven by a basket of brands. In the domestic space, Ranbaxy acquisition has provided more therapeutic diversification to Sun's portfolio along with improvement in market share from 5.5% to 8.8%. In June, 2015, Sun Pharma and AstraZeneca Pharma India Limited (AZPIL) entered into a distribution services agreement in India for AstraZeneca's brand Axcer (new brand of ticagrelor used to treat acute coronary syndrome) which further strengthens Sun Pharma's cardiology portfolio.

CAGR growth of 32.1% during FY12-FY15



Source: Company, In-house research

Domestic business Therapeutic Revenue Break-up (FY15)



Source: Company, In-house research

Domestic therapy ranking improved by Ranbaxy consolidation

The acquisition of Ranbaxy has created a major global generic pharmaceutical company by revenue. Four out of five US centric facilities remain under USFDA scanner. In the domestic space, the acquisition has provided diversification to Sun Pharma's portfolio by improving ranking in Diabetologiststo 1(earlier 2), Consulting Physicians 1(earlier 5), Dermatologists 1(earlier 6), Urologists 1(earlier 6), Oncologists 1(earlier 8), Chest Physicians 2 (earlier 5). Moreover, Ranbaxy's (50% of Ranbaxy's revenue comes from EM's) strong foothold in emerging markets provides the company a ready platform to cross-sell its products and exploit its marketing infrastructure.

The company launched generic Gleevec (entitled to 180-days exclusivity) on 1 Feb 2016.

US remains the key market for the company

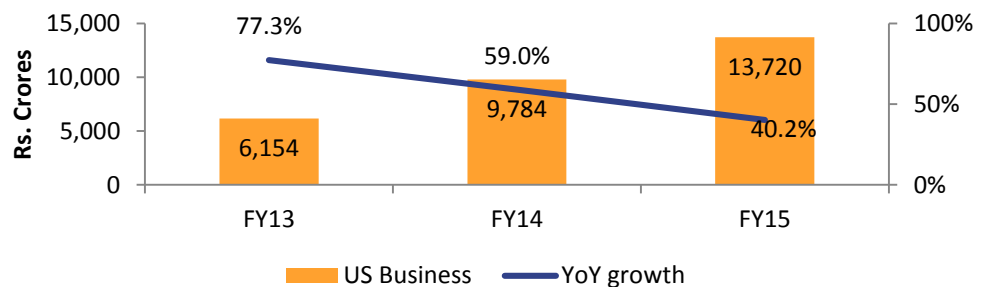
Sun Pharma, derives 50% of its revenues from the US markets. It is the major generic dermatology and branded dermatology company in the US. The company's key focus areas include dermatology, oncology, controlled substances and ophthalmics, among others. The company has significant presence in generics, branded and OTC segments, with integrated manufacturing facilities. It has the flexibility to manufacture both onshore and offshore products. The company launched generic Gleevec (entitled to 180-days exclusivity) on 1 Feb 2016.

Taro accounted for 38% of US revenues with 68% EBITDA margins in FY15. Currently, it has 35 ANDAs pending for approval. In FY15, Taro increased R&D investments and the effort has begun to reflect in higher number of ANDA filings (filed 12 ANDAs in FY15 as against 2-3 annual filings earlier). Further, the quality of filings is better when compared to the existing portfolio. Currently, the US product basket remains strong with 435 approved ANDAs.

Halol facility remediation

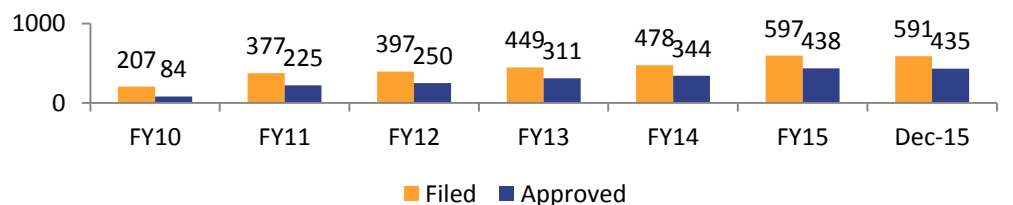
The company has implemented remediation measures at Halol and will request for re-inspection by Q1FY17. The company is also witnessing resumption of supplies from Halol, which got affected due to remediation measures.

US revenue growth during FY13-FY15



Source: Company, In-house research

ANDAs pipeline



Source: Company, In-house research

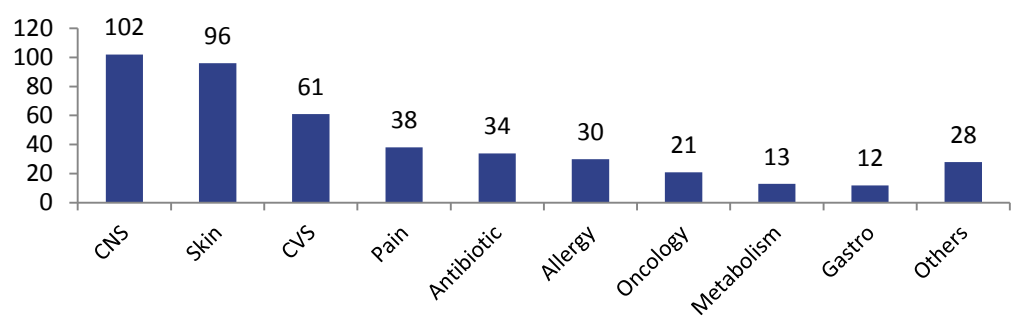
Enhancing specialty segment presence

Specialty pharma business is growing at almost double the pace of generics business in the US. The company is among the major branded companies in the US dermatology segment driven by products like Absorica, Kerastick and the Topicort range of products.

Tildrakizumab (MK-3222), which is currently being evaluated demonstrated positive results in Phase-3 clinical trials for the treatment of moderate-to-severe plaque psoriasis.

During FY15, Sun pharma entered into an exclusive worldwide in-licensing agreement for Merck's investigational therapeutic antibody candidate Tildrakizumab for moderate-to-severe plaque psoriasis (MK-3222), which is currently being evaluated in Phase 3 trials to treat chronic plaque psoriasis. The company's venture with Intrexon Corporation for developing gene based therapies for ocular diseases is also on-track.

ANDA Approvals by Therapeutic Area

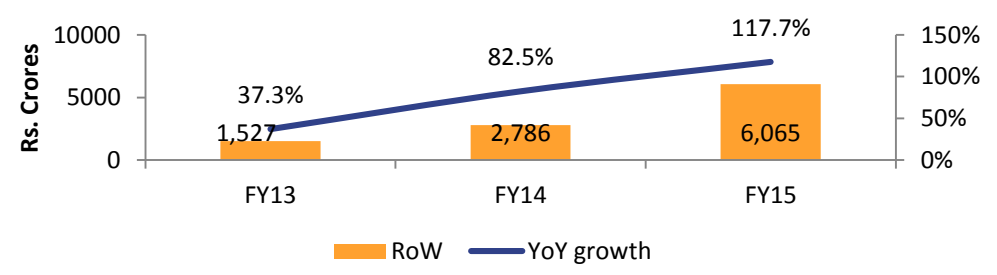


Source: Company, In-house research

Rest of the world (RoW) operations

In FY15, Rest of the World (ROW) contributed 22% to overall revenues with presence in key markets including emerging markets (Mexico, Brazil, Russia & CIS, South Africa), Western Europe, Canada, Australia, New Zealand among others. The company now has 10 manufacturing facilities across emerging markets. In Western Europe and other markets, the company operates through distribution led model. Currently, the company is expanding its product basket across injectables, hospital products and retail market.

RoW growth over the years



Source: Company, In-house research

APIs: Recently acquired Opiates business

APIs (Active Pharmaceutical Ingredients) accounted for 4% of overall revenues and grew at 31% in FY15. Sun Pharma manufactures over 300 APIs across 12 locations. Around 25 APIs are added to the product portfolio annually and clientele include large generic and innovator companies. In 2015, the company acquired GSK Opiates business in Australia. The product portfolio consists of poppy-derived raw materials that are primarily used to manufacture analgesics (used for the treatment of moderate to severe pain) will complement company's current API manufacturing footprint globally.

ROW contributed 22% to overall revenues during FY15.

The product portfolio GSK Opiates will complement company's current API manufacturing footprint globally.

Balance Sheet (Consolidated)

(Rs.Cr)	FY13	FY14	FY15
Share Capital	104	207	241
Reserve and surplus	14,886	18,318	25,397
Net Worth	14,990	18,525	25,638
Minority Interest	1,635	1,921	2,851
Total Debt	260	2,561	8,994
Other non-current liabilities	796	2,611	2,719
Total Equity & Liabilities	17,681	25,618	40,202
Net Fixed Assets	5,077	5,824	11,020
Goodwill	1,133	1,835	3,701
Investments	2,412	2,786	2,716
Net current assets	7,501	13,211	18,277
Other non-current assets	1,558	1,962	4,487
Total Assets	17,681	25,618	40,202

Cash Flow (Consolidated)

Y/E (Rs. Cr)	FY13	FY14	FY15
Net profit/loss before tax& extraordinary items	4,315	4,581	6,403
Net cashflow from operating activities	3,357	3,959	5,322
Net cash used in investing activities	(2,635)	(2,367)	(2,671)
Net cash used from financing activities	(665)	507	(1,087)
Net inc/dec in cash and cash equivalents	57	2,099	1,563

Financial performance snapshot

Net sales of the company stood at Rs. 27,433 Crores in FY15, a growth of 70.6% as compared to Rs. 16,080 Crores in FY14. The operating expenses of the company increased by 115.5% YoY to Rs. 19,567 Crores from Rs. 9,081 Crores during the year. The company's EBITDA grew by 12.4% YoY to Rs. 7,867 Crores in FY15 from Rs. 7,000 Crores in FY14. EBITDA margin contracted by 1,485 bps to 28.7% in FY15 from 43.5% in FY14. Adjusted profit decreased by 15.6% to Rs. 4,777 Crores in FY15 from Rs. 5,659 Crores in FY14. The NPM contracted by 1,778 bps to 17.4% from 35.2% during the above period.

Profit & Loss Account (Consolidated)

(Rs.Cr)	FY13	FY14	FY15
Net revenue	11,300	16,080	27,433
Expenses	6,404	9,081	19,567
EBITDA	4,896	7,000	7,867
Depreciation	336	409	1,195
EBIT	4,560	6,591	6,672
Interest cost	43	44	579
Other Income	388	552	548
Profit Before Tax	4,905	7,099	6,641
Tax	846	702	915
Profit After Tax	4,059	6,396	5,726
Minority Interest	486	738	936
P/L from Associates	-	-	(13)
Adjusted PAT	3,573	5,659	4,777
E/o expense / (income)	590	2,517	238
Reported Profit	2,938	3,141	4,539

Key Ratios (Consolidated)

	FY13	FY14	FY15
EBITDA Margin (%)	43.3	43.5	28.7
EBIT Margin (%)	43.8	44.4	26.3
NPM (%)	31.6	35.2	17.4
ROCE (%)	32.3	35.8	23.9
ROE (%)	23.8	30.5	19.5
EPS (Rs.)	34.5	27.3	19.9
P/E (x)	23.7	21.0	51.6
BVPS(Rs.)	144.7	89.4	106.6
P/BVPS (x)	5.1	5.8	8.6
EV/EBITDA (x)	16.6	16.3	31.2



Indbank Merchant Banking Services Ltd.
I Floor, Khiviraj Complex I,
No.480, Anna Salai, Nandanam, Chennai 600035
Telephone No: 044 – 24313094 - 97
Fax No: 044 – 24313093
www.indbankonline.com

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