

SUN PHARMACEUTICAL INDUSTRIES LTD □

HOLD

24th April 2017

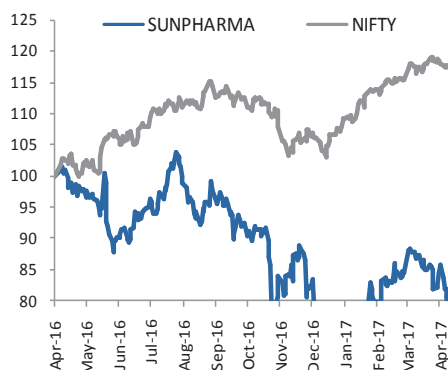
Company Update	
CMP	638
Target Price	795
Previous Target Price	
Upside	25%
Change from Previous	

Market Data	
BSE Code	524715
NSE Symbol	SUNPHARMA
52wk Range H/L	854/571
Mkt Capital (Rs Cr)	153562
Av. Volume(,000)	459
Nifty	9,119

Stock Performance			
	1M	3M	12M
Absolute	-9.1	-23.1	-23.7
Rel.to Nifty	-9.4	-38.4	-30.4

Share Holding Pattern-%			
	3QFY17	2QFY17	1QFY17
Promoters	54.4	55.0	55.0
Public	45.6	45.0	45.0
Others	0.0	0.00	0.00
Total	100.0	100.0	100.0

Company Vs NIFTY



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Recently company has received 11 observations from the US FDA for its Dadra unit. In the inspection US FDA stated that company fails to produce appropriate master or control record for each batch of drugs and failure to properly investigate batches that don't meet specifications. Dadra unit is the second largest manufacturing facility of the company, supplying drugs to US market. Another unit of company at Halol is already under US import alert which contributes about 40% of revenue from the US market. Earlier in the month of March, US FDA indicated that it will lift import ban from its Mohali unit. Lift of ban will clear the path for Sun Pharma to supply approved products from the Mohali facility to the US market.

News Update

→Sun Pharma opens first production unit in Egypt, total investment of USD 12.5 million was inaugurated on 21 Feb 2017, signalling growing business ties between India and the key Middle East nation.

→ On 17 Feb 2017, Sun Pharma gets European Medicines Agency nod for Tobramycin.

→Sun Pharma recalls 2.7 lakh bottles of antidepressant in US. The tablets have been manufactured by Sun Pharma at its Halol plant in India.

→Sun Pharma recalls anti-depressant drug Bupropion Hydrochloride. The recall is classified as class-III, which means the products are unlikely to cause any adverse health reactions, but violate FDA labelling or manufacturing rules.

→Sun Pharma to sell Ohm Labs site at New Jersey

Outlook

US FDA import alert on Dadra unit may dwindle the company's revenue from the US business. In the meanwhile the Synergies from the Ranbaxy acquisitions are gaining momentum and the company is on track to achieve the targeted benefits. Company has strengthened the branded ophthalmic pipeline further through acquisition of Ocular Technologies. The management has maintained its guidance of 8-10% sales growth for FY17E, we are optimistic for healthy growth in the long-term. Considering above arguments we recommend "HOLD" rating on this stock while maintaining our previous recommended target price of Rs. 795. We are analysing the financial viewpoint of Mohali and Dadra plant and will update as more clarity will emerge.

Rs,Cr

Financials	2012	2013	2014	2015	2016
Sales	8019	11300	16080	27433	27219
EBITDA	3204	4896	7002	8064	7431
Net Profit	2657	2983	3141	4541	3665
EPS	26	29	15	22	18
ROE	22%	20%	17%	17%	12%

Segmental Revenue

Segment wise revenue	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17
India Formulations	1,745	1,569	1,784	1,819	1,890	1,807	1,854	2,009	1,969
US Formulations	3,386	3,048	3,091	3,316	3,200	3,910	4,071	3,714	3,419
Emerging Market(Russia)	1,004	771	845	909	994	837	1,031	1,141	1,160
ROW Formulations(Europe)	560	524	575	497	557	533	563	528	760
Total Formulations	6,695	5,911	6,295	6,540	6,642	7,087	7,519	7,393	7,309
Bulk(API)	248	286	271	315	441	376	470	367	366
Others	12	12	21	14	21	17	18	5	9
Total Sales	6,955	6,210	6,587	6,869	7,103	7,479	8,007	7,764	7,683

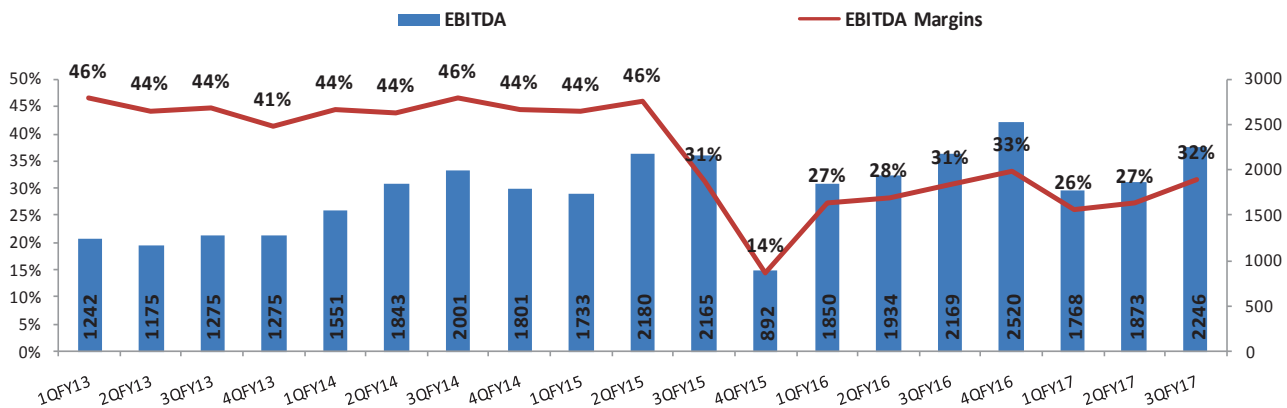
Latest Events

16 Dec 2016- The necessary formalities for closure of acquisition transaction have been concluded and we have successfully completed the acquisition of Ocular Technologies.

12 dec 2016- Sun Pharma, Moebius Medical ink pact to develop pain management product. Moebius Medical will conduct requisite pre-clinical studies and will assume responsibility for product development and manufacturing through the end of Phase-II studies, as per the pact

7 Dec 2016- Company has undergone an inspection by USFDA recently and post that the health regulator issued a Form-483 observation letter For Halol Plant. The company is in the process of responding to the letter.

Financial Performance



About the Company

Sun Pharmaceuticals (SUNP) is one of the fastest growing companies in India as well as globally. It has a highly impressive track record of organic and inorganic growth. Various US acquisitions augment SUNP's pipeline with differentiated products, and SUNP has turned around business in a highly profitable manner – Taro/ TDPL/ Natco's brands/ etc. It has one of the highest margins/ return ratios amongst global peers. In Apr '14, SUNP announced its biggest M&A deal ever – Ranbaxy (RBXY). SUNP currently is the second largest player in the domestic market, while the merged entity will become the largest player. Its API business footprint is strengthened through 11 world class API manufacturing facilities across the globe. Sun Pharma fosters excellence through innovation supported by strong R&D capabilities comprising about 1800 scientists and R&D investments of over 7% of annual revenues.

Financials Snap Shot

	INCOME STATEMENT					RATIOS			
	FY13	FY14	FY15	FY16		FY13	FY14	FY15	FY16
Revenue	11300	16080	27433	27219	EPS	29	15	22	18
Other Income	388	552	452	459	Book Value	145	89	128	152
Total Revenue	11688	16633	27885	27678	DPS	5	3	2	2
COGS	2,073	2,779	6,739	6,483	Payout (incl. Div. Tax.)	17%	19%	8%	10%
GPM	18%	17%	25%	24%	Valuation(x)				
Other Expenses	2,796	4,225	8,201	8,508	P/E	14	38	47	58
EBITDA	4896	7002	8064	7431	Price / Book Value	3	6	8	7
EBITDA Margin (%)	43%	44%	29%	27%	Dividend Yield (%)	1%	1%	0%	0%
Depreciation	336	409	1295	1014	Profitability Ratios				
EBIT	4,560	6,592	6,769	6,417	RoE	20%	17%	17%	12%
Interest	43	44	579	477	RoCE	30%	35%	24%	19%
PBT	4,905	7,101	6,642	6,399	Turnover Ratios				
Tax	846	702	915	935	Asset Turnover (x)	1	1	1	1
Tax Rate (%)	17%	10%	14%	15%	Debtors (No. of Days)	78	50	71	91
Reported PAT	2983	3141	4541	3665	Inventory (No. of Days)	83	71	75	86
Dividend Paid	512	606	363	363	Creditors (No. of Days)	34	30	42	47
No. of Shares	104	207	207	207	Net Debt/Equity (x)	0.0	0.0	0.1	0.1

	BALANCE SHEET					CASH FLOW STATEMENT			
	FY13	FY14	FY15	FY16		FY13	FY14	FY15	FY16
Share Capital	104	207	207	241	OP/(Loss) before Tax	4,315	4,581	6,403	6,765
Reserves and surplus	14,886	18,318	26,252	31,164	Depreciation	336	409	1,195	1,014
Shareholders' funds	14,990	18,525	26,459	31,404	Direct Taxes Paid	1,073	789	1,740	1,988
Long term Debt	115	49	1,368	3,117	Operating profit before tax	4,475	4,541	7,101	8,492
Total Borrowings	198	2,489	7,596	8,338	CF from Op. Activity	3,357	3,959	5,322	6,769
Non Current liabilities	1,001	2,886	2,817	2,365	Purchase of Non Current Assets	(15,672)	(28,265)	(28,802)	(40,089)
Long term provisions	787	2,602	2,532	2,080	Capital expenditure on fixed assets	(845)	(906)	(2,366)	(3,382)
Short term Provisions	1,482	1,961	3,336	3,417	CF from Inv. Activity	(2,635)	(2,367)	(2,671)	(4,455)
Current liabilities	2,758	3,549	9,256	8,026	Repayment of Long Term Debt	(111)	(89)	(6,662)	(9,076)
Total liabilities	20,583	29,371	49,028	54,220	Interest Paid	38	23	251	300
Net Fixed Assets	5,077	5,824	11,020	13,361	Divd Paid (incl Tax)	512	606	363	869
Non Current Investments	1,106	788	599	593	CF from Fin. Activity	(665)	507	(1,087)	(1,924)
Other non Current assets	8	0	55	96	Inc/(Dec) in Cash	57	2,099	1,563	390
Current assets	11,503	18,686	29,122	30,865	Add: Opening Balance	2,013	2,260	4,479	7,729
Total Assets	20,583	29,371	49,028	54,220	Closing Balance	2,069	4,359	7,286	8,120