

8th February, 2018

CMP – ₹549

View – Positive

Company Background And Business Model

Sun Pharma is one of the world's largest specialty generic pharmaceutical company. It is India's top pharmaceutical company. Its global presence is supported by 42 manufacturing facilities spread across six continents, research and development (R&D) centres across the world and a multi-cultural workforce comprising over 50 nationalities. In India, the Company enjoys leadership across 11 different classes of doctors with 30 brands featuring among top 300 pharmaceutical brands. Sun Pharma's global footprint covers the U.S., emerging markets, Western Europe, Japan, Canada, Israel, Australia and New Zealand. Its Global Consumer Healthcare (GCH) business is ranked among the Top 10 across four global markets. Its API business footprint is strengthened through 14 world-class API manufacturing facilities around the world.

Important Statistics

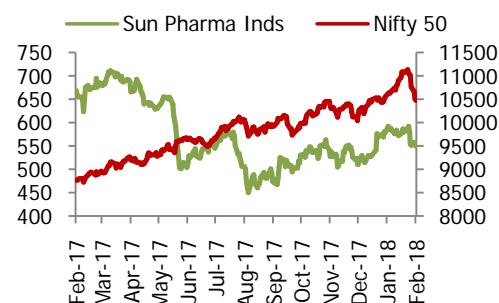
| | |
|------------------------|-----------|
| M.Cap | 1,31,646 |
| 52 Week H/L (₹) | 433/728 |
| NSE Code | SUNPHARMA |
| BSE Code | 524715 |

Investment Argument

- **Promising Pipeline and Current Product Portfolio** – The Company has a comprehensive basket of 584 ANDAs, 41 NDAs and 1 BLA filed and 427 ANDAs and 36 NDAs approved across multiple therapies while 157 ANDAs, 5 NDAs, and 1 BLA pending USFDA approval. This pipeline includes a combination of complex generics, First-to-File opportunities, and normal generics, as well as specialty products. Sun Pharma key focus areas include CNS, dermatology, cardiology, oncology, and ophthalmics which are relatively high margin areas. Last Year Sun Pharma Announced US FDA Filing Acceptance of Biologics License Application (BLA) For Tildrakizumab which could be a major breakthrough if it gets approved.
- **US business to Drive Growth** – From Last few quarters Pharmaceutical companies having exposure in US have been facing several problems like such as consolidation of buyers in US market, drug regulators tighten grip on companies which has lead to slowing down new drug approvals and increasing remedial cost. This has lead to significant margin erosion in their base business portfolio. We believe over the next 2-3 quarters this concern will be resolved and companies will start reporting improved numbers.
- **Regulatory Issues can be Cleared Finally** – We have seen Indian Companies facing regulatory hurdles in past few years and Sun Pharma has been also one of them. Sunpharma's Halol plant has been under USFDA scanner since December 2015 after getting a warning letter since then new approval from the site has been delayed which is hurting the growth path of the company. In recent few months, Halol plant has got a clean chit from other various regulators like UK and Dutch regulator and the management is confident of getting approval from USFDA also. We believe Halol facility will be out of the wood an new approval would start kicking soon.

Financials

| | (₹mn) | |
|-------------------|----------|----------|
| | FY 2017 | FY 2016 |
| Total Income | 32473.22 | 29539.05 |
| Total Expenditure | 21760.8 | 21407.65 |
| Operating Profit | 10712.42 | 8131.4 |
| Net Profit | 6914.85 | 5027.37 |
| EPS | 32.66 | 23.51 |
| PAT Margin % | 21.29 | 17.02 |
| ROCE (%) | 20.67 | 17.53 |
| Debt-Equity Ratio | 0.26 | 0.3 |


Valuations

At its CMP on 549, the stock trades at 37.5x its FY2018 Bloomberg earnings estimate of ₹14.65 EPS. We believe Sun Pharma is trading at decent valuation and narrow going forward will see new approvals will drive earnings and margins sustainability and hence we are **POSITIVE** on the stock.

8th February, 2018

CMP – ₹549

View – Positive

Disclaimer

Analyst Certification: I, Tausif Shaikh, the research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed that Tausif Shaikh, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Disclosure of Interest Statement in Sun Pharmaceutical Industries Ltd. as on February 8th, 2018

| | |
|--|------------------------------------|
| Name of the Security | Sun Pharmaceutical Industries Ltd. |
| Name of the analyst | Tausif Shaikh |
| Analysts' ownership of any stock related to the information contained | NIL |
| Financial Interest | |
| Analyst : | No |
| Analyst's Relative : Yes / No | No |
| Analyst's Associate/Firm : Yes/No | No |
| Conflict of Interest | No |
| Receipt of Compensation | No |
| Way2Wealth ownership of any stock related to the information contained | NIL |
| Broking relationship with company covered | NIL |
| Investment Banking relationship with company covered | NIL |

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.