

Company Background And Business Model

Sun Pharma Advanced Research Company (SPARC) is a clinical-stage biopharmaceutical company focused on continuously improving standards of care for patients globally, through innovation in therapeutics and delivery. SPARC was formed in 2007 through a demerger from SUN PHARMA, a global leader in specialty generics.

Important Statistics

M.Cap (₹Cr)	5,034.83
52 Week H/L (₹)	141/438
NSE Code	SPARC
BSE Code	532872

Investment Argument

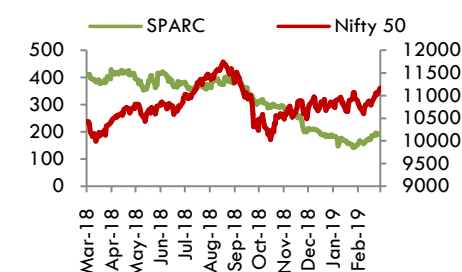
- **Milestone payments to flow in from recent product approvals** – Sun Pharma has successfully launched Xelpros, which it in-licensed from SPARC in July 2016 while Elepsia has the final nod from the regulator and the company is in the stage of finding a partner for commercializing the product. We expect milestone payments and defined royalties linked to these products to start flowing in the next few quarters.
- **Pharma companies to focus on complex molecules** – Faced with competition and commoditization of generic drugs in the US, Indian drug makers are focusing on specialty drugs and niche molecules. We believe, pharma companies will focus on R & D spending to create niche product molecules as these will be future opportunities for pharma companies. We believe, core research companies like SPARC will be a key beneficiary in such an environment.
- **SPARC to be the backbone for Sun Pharma to build its specialty biz in the US.** – Sun Pharma has the largest pipeline of specialty drugs among Indian companies in the US, largely built on in-licensing products from Sun Pharma Advanced Research Company (SPARC). SPARC has a strong product pipeline that focuses on eye care, skin, pain, cancer, asthma therapeutic areas that could help Sun Pharma in expanding its specialty biz in the US.
- **Subscription to warrants by promoters at a higher price compared to the current market price instills confidence** – Promoters have subscribed to 15.15 million warrants priced ₹330 per share which much higher than the current market price of ₹197 indicating promoters confidence on the business outlook.

Financials (Consolidated)

(₹ Lakhs)

Particulars	FY18	FY17
Revenue from Operations	7,825	18,102
EBITDA	(25415)	(12726)
PAT	(19,699)	(11,903)
EPS (₹)	(7.94)	(4.84)

Source: Annual Report


Valuation

In the last 6 months, SPARC has corrected ~50 % due to governance issues raised on Sun Pharma that has weakened investor confidence on SPARC as well. We believe Sun Pharma is working in the right direction and overall business environment is showing signs of improvement. With the parent company focusing on building a specialty product offering in the US, SPARC would be the biggest beneficiary because of its strong R&D pipeline. **Therefore, we are POSITIVE on the stock.**

12th March, 2019

CMP – ₹197

View – Positive

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Disclosure of Interest Statement in Sun Pharma Advanced Research Company Ltd. (SPARC) as on March 12th, 2019

Name of the Security	Sun Pharma Advanced Research Company Ltd. (SPARC)
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

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