

DCF MODEL -SUN PHARMACEUTICAL INDUSTRIES LTD

Ticker	SUNPHARMA	Implied Share Price	₹ 679.10	Downside	₹ 1,150.90
Date	29-04-2025	Today Share Price	₹ 1,830.00	Share Premium (Discount)	62.89%



Note:-Market premium may reflect optimism over specialty drug pipeline, U.S. growth, or M&A expectations not captured in base projections

Valuation Assumptions:-

WACC	12.21%	Company Growth Rate	0.56%	Effective Tax Rate	15.58%
Terminal Growth Rate	5.90%	Industry Growth Rate	8.00%		

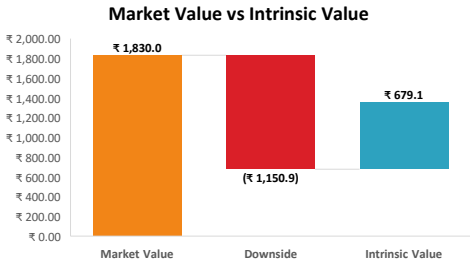
Income Statement	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Revenue	32,837.5	33,498.1	38,654.5	43,885.7	48,496.9	48,768.4	49,767.1	51,526.8	54,115.5	57,639.5
% Growth		2.01%	15.39%	13.53%	10.51%	0.56%	2.05%	3.54%	5.02%	6.51%
EBIT	5,312.32	2,940.80	4,608.67	9,580.43	11,326.36	11,389.78	11,623.03	12,034.01	12,638.59	13,461.60
% Sales	16.18%	8.78%	11.92%	21.83%	23.35%	23.35%	23.35%	23.35%	23.35%	23.35%
Effective Tax Rate	15.49%	17.50%	23.34%	8.85%	12.71%	15.58%	15.58%	15.58%	15.58%	15.58%
Taxes	822.8	514.7	1,075.5	847.6	1,439.5	1,774.13	1,810.46	1,874.48	1,968.65	2,096.85
% Sales	2.51%	1.54%	2.78%	1.93%	2.97%	3.64%	3.64%	3.64%	3.64%	3.64%
Cash Flow Items	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
D&A	2,052.8	2,080.0	2,143.7	2,529.4	2,556.6					
% Sales	6.25%	6.21%	5.55%	5.76%	5.27%					
CapEx	1,542	1,170	1,495	2,086	2,202					
% Sales	4.70%	3.49%	3.87%	4.75%	4.54%					
Change in NWC	(858)	(2,613)	(5,061)	6,783	4,450					
% Sales	(2.61%)	(7.80%)	(13.09%)	15.46%	9.18%					
PV of FCFF	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Revenue	32,837.5	33,498.1	38,654.5	43,885.7	48,496.9	48,768.4	49,767.1	51,526.8	54,115.5	57,639.5
% Growth		2.01%	15.39%	13.53%	10.51%	0.56%	2.05%	3.54%	5.02%	6.51%
EBIT	5,312.32	2,940.80	4,608.67	9,580.43	11,326.36	11,389.78	11,623.03	12,034.01	12,638.59	13,461.60
% Sales	16.18%	8.78%	11.92%	21.83%	23.35%	23.35%	23.35%	23.35%	23.35%	23.35%
Taxes	822.8	514.7	1,075.5	847.6	1,439.5	1,774.13	1,810.46	1,874.48	1,968.65	2,096.85
% EBIT	2.51%	1.54%	2.78%	1.93%	2.97%	3.64%	3.64%	3.64%	3.64%	3.64%
EBIAT	4,489.52	2,426.11	3,533.17	8,732.84	9,886.91	9,615.65	9,812.57	10,159.53	10,669.94	11,364.75
D&A	2,052.8	2,080.0	2,143.7	2,529.4	2,556.6	2,832.6	2,890.7	2,992.9	3,143.2	3,347.9
% Sales	6.25%	6.21%	5.55%	5.76%	5.27%	5.81%	5.81%	5.81%	5.81%	5.81%
CapEx	1,542	1,170	1,495	2,086	2,202	2,082	2,125	2,200	2,311	2,461
% Sales	4.70%	3.49%	3.87%	4.75%	4.54%	4.27%	4.27%	4.27%	4.27%	4.27%
Change in NWC	(858)	(2,613)	(5,061)	6,783	4,450	110	112	116	122	130
% Sales	(2.61%)	(7.80%)	(13.09%)	15.46%	9.18%	0.23%	0.23%	0.23%	0.23%	0.23%
Free Cash Flow to Firm	5,858.30	5,949.06	9,242.91	2,393.27	5,791.55	10,256.09	10,466.13	10,836.20	11,380.60	12,121.69
Present Value of FCF					575.8	9,571.0	8,704.0	8,031.0	7,516.6	7,134.7
Stub					0.10					
Discounting Period					0.05	0.6	1.6	2.6	3.6	4.6
Terminal Value										2,03,363.5
PV of Terminal Value										1,14,306.5
Enterprise Value										1,55,263.9
+ Cash										10,520.7
- Debt										2,845.0
Equity Value										1,62,939.6
No. of Shares										239.93
Share Price										679.10

Sensitivity Analysis - (Enterprise Value)					
	8%	10%	12.21%	14%	16%
3%	2,14,998.5	1,53,772.7	1,17,164.4	98,360.2	83,523.5
4%	2,59,547.6	1,73,485.3	1,27,276.3	1,04,884.8	87,815.0
5.90%	4,61,078.9	2,37,431.0	1,55,318.9	1,21,719.8	98,310.0
6%	4,82,292.7	2,42,479.3	1,57,270.2	1,22,827.3	98,972.9
7%	9,27,783.1	3,11,473.3	1,80,902.6	1,35,643.4	1,06,411.4

Sensitivity Analysis - (Share Price)					
	8%	10%	12.21%	14%	16%
3.0%	928.1	672.9	520.3	441.9	380.1
4.0%	1,113.7	755.0	562.5	469.1	398.0
5.9%	1,953.7	1,021.6	679.3	539.3	441.7
6.2%	2,248.4	1,088.0	704.5	553.5	450.2
7.0%	3,898.8	1,330.2	786.0	597.3	475.5

Conclusion

- Based on our DCF model, Sun Pharma’s intrinsic value is ₹679 per share, suggesting the market is pricing significant future growth beyond our conservative projections.
- Market premium may reflect optimism over specialty drug pipeline, U.S. growth, or M&A expectations not captured in base projections.



# Weighted Average Cost of Capital

Company	Country	Total Equity	Total Debt	Tax Rate	Debt / Equity	Debt / Capital	Levered Beta	Unlevered Beta
SUN PHARMACEUTICAL INDUSTRIES LTD	India	4,42,113.5	2,572.0	30.00%	0.58%	0.58%	0.62	0.62
Cipla	India	1,25,184.7	461.4	30.00%	0.37%	0.37%	0.57	0.57
Mankind Pharma	India	1,05,234.4	207.5	30.00%	0.20%	0.20%	0.50	0.50
Dr Reddy's Labs	India	1,00,969.1	4,854.1	30.00%	4.81%	4.59%	0.54	0.52
Lupin	India	96,125.2	3,442.5	30.00%	3.58%	3.46%	0.70	0.68
				Average	30.00%	1.91%	1.84%	0.59
				Median	30.00%	0.58%	0.58%	0.57

## Cost of Debt

Pre-Tax Cost of Debt	9.27%
Tax	30.00%
Post-Tax Cost of Debt	6.49%

## Capital Structure

		Current	Target
Total Debt	2,572.0	0.58%	1.84%
Market Cap	4,42,113.5	99.42%	98.16%
Total Cap	444685.41	100%	100%

## Cost of Equity

Risk Free Rate	6.44%
Market Risk Premium	10.21%
Levered Beta	0.58
Cost of Equity	12.32%

## Levered Beta

Comps Median Unlevered Beta	0.57
Target Debt/Equity	1.84%
Tax Rate	30.00%
Levered Beta	0.58

## Weighted Average Cost of Capital

	Total Cost	Total Weight
Cost of Debt	6.49%	1.84%
Cost of Equity	12.32%	98.16%
WACC		12.21%

## Growth Rate

Calaculation of ROIC		2020	2021	2022	2023	2024
<b>Current Assets</b>						
Inventories		7,875	8,997	8,925	10,513	9,868
Trade receivables		9,421	9,061	10,485	11,439	11,249
Cash Equivalents		6,488	6,446	5,033	5,770	10,521
Loans n Advances		678	649	720	818	855
Other asset items		9,522	9,737	7,812	8,309	9,223
<b>Total Current Assets</b>		<b>33,984</b>	<b>34,890</b>	<b>32,975</b>	<b>36,849</b>	<b>41,716</b>
<b>Current liabilities</b>						
Trade Payables		3,584	3,974	4,490	5,682	5,653
Advance from Customers		53	47	29	41	43
Other liability items		7,118	10,253	12,901	8,788	9,232
<b>Total Current Liabilities</b>		<b>10,755</b>	<b>14,274</b>	<b>17,420</b>	<b>14,511</b>	<b>14,928</b>
<b>Net Working Capital</b>		<b>23,229</b>	<b>20,616</b>	<b>15,555</b>	<b>22,338</b>	<b>26,788</b>
<b>Non Current Assets</b>						
Land		686	642	862	898	1,047
Building		5,844	5,937	6,048	6,820	6,803
Plant Machinery		10,976	11,629	12,363	13,077	13,706
Equipments		233	273	305	327	345
Furniture n fittings		427	421	423	444	454
Vehicles		319	371	408	447	414
Intangible Assets		16,322	15,934	6,591	8,358	8,599
Other fixed assets		310	371	11,707	12,729	12,916
Gross Block		35,116	35,579	38,707	43,100	44,284
Accumulated Depreciation		12,269	14,026	16,042	19,035	21,072
<b>Net Non Current Assets</b>		<b>82502</b>	<b>85183</b>	<b>93456</b>	<b>105235</b>	<b>109640</b>
Invested Capital		1,05,731	1,05,799	1,09,011	1,27,573	1,36,428
EBIAT		4,489.52	2,426.11	3,533.17	8,732.84	9,886.91
<b>ROIC</b>		<b>4.25%</b>	<b>2.29%</b>	<b>3.24%</b>	<b>6.85%</b>	<b>7.25%</b>
Calculation of Reinvestment Rate		2020	2021	2022	2023	2024
Net Capex		1,450	1,073	1,434	2,065	2,171
Change in Working Capital		(858)	(2,613)	(5,061)	6,783	4,450
NOPAT/EBIAT		4,489.52	2,426.11	3,533.17	8,732.84	9,886.91
<b>Reinvestment Rate</b>		<b>13.19%</b>	<b>(63.48%)</b>	<b>(102.66%)</b>	<b>101.32%</b>	<b>66.97%</b>
5 Year Average					3.07%	
5 year Median					13.19%	
Calculation of Growth Rate		2020	2021	2022	2023	2024
ROIC		4.25%	2.29%	3.24%	6.85%	7.25%
Reinvestment Rate		13.19%	(63.48%)	(102.66%)	101.32%	66.97%
<b>Growth Rate</b>		<b>0.56%</b>	<b>(1.46%)</b>	<b>(3.33%)</b>	<b>6.94%</b>	<b>4.85%</b>
5 Year Average					1.51%	
5 year Median					0.56%	