

## Retail Equity Research

# Sun Pharmaceutical Industries Limited

### Pharmaceuticals

BSE CODE: 524715

NSE CODE: SUNPHARMA

Bloomberg CODE: SUNP:IN

SENSEX: 76,693

**HOLD**

12 Months Investment Period Rating as per Large Cap  
CMP Rs. 1,507 TARGET Rs. 1,655 RETURN 10%  
(Closing: 07-06-24) 

### KEY CHANGES:

TARGET 

RATING 

EARNINGS 

## Modest performance; cautious outlook

Sun Pharma is India's top drugmaker and the world's fifth-largest specialty generics company. It develops, manufactures and markets branded and generic formulations and active pharmaceutical ingredients in India and globally.

- In Q4FY24, consolidated revenue grew 10.1% YoY to Rs. 11,813cr, primarily due to double-digit growth in key regions.
- EDITDA reached Rs. 3,092cr, up 9.3% YoY, driven by lower material costs and a better product mix.
- Sun Pharma's segments are poised for growth, supported by investments in product launches. The company's expanding global specialty launch business, strong market position, improved product mix, research and development investments, and pipeline of six molecules under clinical study are expected to bolster its prospects. However, given the stock's premium valuation, we anticipate limited upside potential. Hence, we reiterate our HOLD rating on the stock, with a revised target price of Rs. 1,655, based on 30.5x FY26E adjusted EPS.

### US and India formulations propel topline growth

In Q4FY24, Sun Pharma's consolidated revenue rose 10.1% YoY to Rs. 11,813cr, driven by increased sales across regions. Revenue from India formulations increased 10.2% YoY to Rs. 3,708cr, supported by new product launches and an increase in market share to 8.5% (compared to 8.3% a year ago). The US formulations segment grew 11.9% YoY to Rs. 3,954cr, led by the specialty portfolio, with significant contributions from products such as Ilumya, Cequa, Winlevi and Odomzo. Revenue from emerging markets grew 11.8% YoY to Rs. 2,035cr, driven by strong performances in Brazil and South Africa. Revenue from the rest of the world increased 3.5% YoY to Rs. 1,629cr.

### Lower material costs boost margins

EBITDA for the quarter grew to Rs. 3,092cr, a 9.3% YoY increase. This was due to reduced material costs (accounted for 20.2% of sales compared with 21.0% in Q4FY23), thanks to an improved product mix including higher specialty sales. However, margins decreased slightly, by 20bps YoY to 26.2%. The reported profit after tax rose 32.2% YoY to Rs. 2,667cr, driven by lower interest costs, higher non-operating income and reduced taxes.

### Key concall highlights

- The company anticipates high single-digit revenue growth for FY25.
- Sun Pharma expects research and development (R&D) investments to account for 8% to 10% of sales for FY25.
- Shareholders of Taro Pharmaceutical Industries Limited have approved its merger with Sun Pharma.
- The company has a robust product lineup in the US market, with 531 approved Abbreviated New Drug Applications (ANDAs) and 104 ANDAs pending US Food and Drug Administration approval, including 29 tentatively approved.

### Valuation

Sun Pharma demonstrated consistent growth during the quarter, driven by strong performances across regions. The company is well-positioned for future growth, supported by investments including product launches in the US. The global specialty business is expected to continue expanding. In addition, the company's leading market position, improved product mix, R&D investments, and robust product pipeline should further support its growth prospects. However, the stock is currently trading at an expensive valuation. We, therefore, reiterate our HOLD rating on the stock, with a revised target price of Rs. 1,655, based on 31x FY26E adjusted EPS.

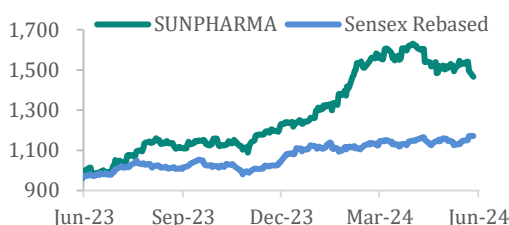
### Company Data

Market Cap (cr)	Rs. 351,905
Enterprise Value (cr)	Rs. 346,823
Outstanding Shares (cr)	239.9
Free Float	45.0%
Dividend Yield	0.9%
52 week high	Rs. 1,639
52 week low	Rs. 978
6m average volume (lacs)	26.3
Beta	0.5
Face value	Rs. 1

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	54.5	54.5	54.5
FII's	16.8	17.1	17.7
MFs/Insti	19.7	19.5	18.8
Public	8.7	8.6	8.5
Others	0.4	0.4	0.5
Total	100.0	100.0	100.0
Promoters' pledge	2.4	2.4	2.1

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-7.3%	22.6%	51.1%
Absolute Sensex	3.1%	14.3%	20.6%
Relative Return*	-10.4%	8.3%	30.5%

\*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	47,758	52,391	58,154
Growth (%)	10.4	9.7	11.0
EBITDA	12,987	14,584	16,754
EBITDA Margin (%)	27.2	27.8	28.8
Adj. PAT	10,035	10,876	12,821
Growth (%)	14.4	8.4	17.9
Adj. EPS	41.8	45.3	53.4
Growth (%)	14.4	8.4	17.9
P/E	38.7	32.4	27.4
P/B	6.1	4.9	4.4
EV/EBITDA	29.6	23.8	20.6
ROE (%)	15.1	15.4	16.1
D/E	0.0	0.0	0.0

## Quarterly Financials (Consolidated)

### Profit & Loss Account

Rs. cr	Q4FY24	Q4FY23	YoY Growth (%)	Q3FY24	QoQ Growth (%)	FY24	FY23	YoY Growth (%)
Revenue	11,813	10,726	10.1	12,157	(2.8)	47,758	43,279	10.4
<b>EBITDA</b>	<b>3,092</b>	<b>2,829</b>	9.3	<b>3,352</b>	(7.8)	<b>12,987</b>	<b>11,773</b>	10.3
EBITDA margins	26.2	26.4	(20bps)	27.6	(140bps)	27.2	27.2	0bps
Depreciation	650	672	(3.2)	622	4.5	2,557	2,529	1.1
<b>EBIT</b>	<b>2,441</b>	<b>2,158</b>	13.1	<b>2,730</b>	(10.6)	<b>10,430</b>	<b>9,243</b>	12.8
Interest	74	93	(20.7)	35	111.8	238	172	38.6
Other Income	550	346	58.8	375	46.6	1,390	508	173.5
Exceptional Items	(102)	(171)	40.7	(70)	(45.6)	(458)	(298)	53.7
Share of profit from Associate	-	-	-	-	-	-	-	-
<b>PBT</b>	<b>2,816</b>	<b>2,240</b>	25.7	<b>3,000</b>	(6.2)	<b>11,088</b>	<b>9,408</b>	17.9
Tax	149	223	(33.2)	432	(65.6)	1,439	848	69.8
<b>Reported PAT</b>	<b>2,667</b>	<b>2,017</b>	32.2	<b>2,568</b>	3.8	<b>9,648</b>	<b>8,561</b>	12.7
Minority Interest	4	(2)	n.m.	37	(88.7)	34	39	(14.5)
<b>PAT att. to shareholders</b>	<b>2,655</b>	<b>1,984</b>	33.8	<b>2,524</b>	5.2	<b>9,576</b>	<b>8,474</b>	13.0
Adjustments	102	171	(40.7)	70	45.6	458	298	188.3
<b>Adj. PAT</b>	<b>2,756</b>	<b>2,156</b>	27.8	<b>2,594</b>	6.3	<b>10,035</b>	<b>8,771</b>	14.4
No. of shares	239.9	239.9	-	239.9	-	239.9	239.9	-
<b>Adj. EPS (Rs.)</b>	<b>11.5</b>	<b>9.0</b>	27.8	<b>10.8</b>	6.3	<b>41.8</b>	<b>36.6</b>	14.2

### Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	53,420	59,510	52,391	58,154	(1.9)	(2.3)
EBITDA	15,137	17,219	14,584	16,754	(3.6)	(2.7)
Margins (%)	28.3	28.9	27.8	28.8	(50bps)	(10bps)
Adj. PAT	11,005	12,788	10,876	12,821	(1.2)	0.3
Adj. EPS	45.9	53.3	45.3	53.4	(1.2)	0.3

## PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Revenue</b>	<b>38,426</b>	<b>43,279</b>	<b>47,758</b>	<b>52,391</b>	<b>58,154</b>
% change	15.6	12.6	10.4	9.7	11.0
<b>EBITDA</b>	<b>10,244</b>	<b>11,773</b>	<b>12,987</b>	<b>14,584</b>	<b>16,754</b>
% change	21.0	14.9	10.3	12.3	14.9
Depreciation	2,144	2,529	2,557	2,596	2,750
<b>EBIT</b>	<b>8,100</b>	<b>9,243</b>	<b>10,430</b>	<b>11,989</b>	<b>14,004</b>
Interest	127	172	238	247	255
Other Income	(3,491)	337	896	1,310	1,454
<b>PBT</b>	<b>4,481</b>	<b>9,408</b>	<b>11,088</b>	<b>13,052</b>	<b>15,203</b>
% change	60.1	109.9	17.9	17.7	16.5
Tax	1,076	848	1,439	1,958	2,128
Tax Rate (%)	24.0	9.0	13.0	15.0	14.0
<b>Reported PAT</b>	<b>3,389</b>	<b>8,513</b>	<b>9,610</b>	<b>11,041</b>	<b>13,016</b>
<b>PAT att. to common shareholders</b>	<b>3,273</b>	<b>8,474</b>	<b>9,576</b>	<b>10,876</b>	<b>12,821</b>
Adj*	4,567	298	458	-	-
<b>Adj PAT</b>	<b>7,840</b>	<b>8,771</b>	<b>10,035</b>	<b>10,876</b>	<b>12,821</b>
% change	9.1	11.9	14.4	8.4	17.9
No. of shares (cr)	249.2	239.9	239.9	239.9	239.9
<b>Adj EPS (Rs.)</b>	<b>31.5</b>	<b>36.6</b>	<b>41.8</b>	<b>45.3</b>	<b>53.4</b>
% change	5.1	16.2	14.4	8.4	17.9
DPS (Rs.)	3.0	11.5	13.5	12.7	15.0

## CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Net inc. + Depn.</b>	<b>5,533</b>	<b>11,042</b>	<b>12,167</b>	<b>13,637</b>	<b>15,766</b>
Non-cash adj.	4,117	(5,110)	(1,233)	(1,290)	(2,355)
Changes in W.C	(665)	(973)	1,201	(3,362)	(2,113)
<b>C.F. Operation</b>	<b>8,985</b>	<b>4,959</b>	<b>12,135</b>	<b>8,985</b>	<b>11,298</b>
Capital exp.	(1,434)	(2,065)	(2,171)	(2,620)	(3,024)
Change in inv.	(4,531)	(6,329)	789	(1,681)	(2,317)
Other invest.CF	240	450	692	(380)	(423)
<b>C.F - Investment</b>	<b>(5,725)</b>	<b>(7,944)</b>	<b>(690)</b>	<b>(4,681)</b>	<b>(5,765)</b>
Issue of equity	(186)	-	(77)	-	-
Issue/repay debt	(2,743)	5,159	(3,656)	28	57
Dividends paid	(2,169)	(2,520)	(2,901)	(3,045)	(3,590)
Other finance.CF	(95)	(263)	(76)	(247)	(255)
<b>C.F - Finance</b>	<b>(5,193)</b>	<b>2,376</b>	<b>(6,710)</b>	<b>(3,264)</b>	<b>(3,788)</b>
Chg. in cash	(1,934)	(608)	4,735	1,040	1,745
Closing cash	5,033	5,770	10,521	11,561	13,306

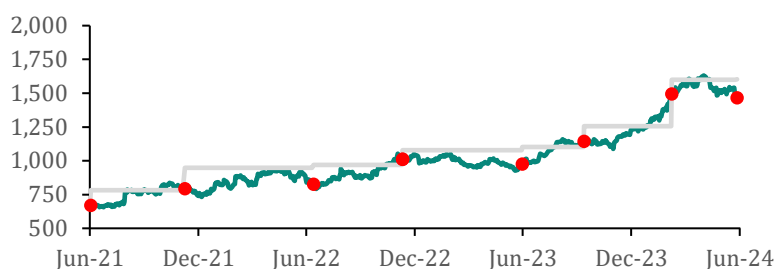
## BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	5,033	5,770	10,521	11,561	13,306
Accounts Receivable	10,485	11,439	11,249	12,574	14,015
Inventories	8,925	10,513	9,868	12,114	13,338
Other Cur. Assets	10,422	12,161	11,837	12,404	13,067
Investments	5,215	5,452	6,441	7,693	9,551
Gross Fixed Assets	19,631	20,772	22,973	25,593	28,617
Net Fixed Assets	10,371	10,390	10,192	10,205	10,468
CWIP	798	963	1,108	1,119	1,130
Intangible Assets	12,783	17,685	17,265	17,646	18,069
Def. Tax (Net)	2,850	3,519	4,104	4,894	6,385
Other Assets	2,927	2,851	2,878	2,901	2,935
<b>Total Assets</b>	<b>69,808</b>	<b>80,744</b>	<b>85,463</b>	<b>93,111</b>	<b>102,264</b>
Current Liabilities	16,508	13,709	14,140	13,775	13,478
Provisions	369	343	414	455	410
Debt Funds	947	6,202	2,846	2,874	2,931
Other Liabilities	918	1,174	957	904	917
Equity Capital	240	240	240	240	240
Reserves & Surplus	47,771	55,755	63,427	71,257	80,488
Shareholder's Fund	48,011	55,995	63,667	71,497	80,728
Minority Interest	3,055	3,320	3,439	3,605	3,800
<b>Total Liabilities</b>	<b>69,808</b>	<b>80,744</b>	<b>85,463</b>	<b>93,111</b>	<b>102,264</b>
<b>BVPS (Rs.)</b>	<b>193</b>	<b>233</b>	<b>265</b>	<b>298</b>	<b>336</b>

## RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	26.7	27.2	27.2	27.8	28.8
EBIT margin (%)	21.1	21.4	21.8	22.9	24.1
Net profit mgn.(%)	8.5	19.6	20.1	20.8	22.0
ROE (%)	7.1	15.2	15.1	15.4	16.1
ROCE (%)	15.6	14.1	14.9	15.4	16.0
<b>W.C &amp; Liquidity</b>					
Receivables (days)	99.6	96.5	86.0	87.6	88.0
Inventory (days)	314.7	359.9	337.8	339.5	343.1
Payables (days)	158.3	194.5	193.5	164.3	165.0
Current ratio (x)	2.0	2.0	2.6	2.9	3.3
Quick ratio (x)	1.3	1.3	1.8	2.0	2.2
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	2.0	2.1	2.2	2.2	2.1
Total asset T.O (x)	0.6	0.6	0.6	0.6	0.6
Int. coverage ratio (x)	63.6	53.7	43.7	48.6	54.8
Adj. debt/equity (x)	0.0	0.1	0.0	0.0	0.0
<b>Valuation</b>					
EV/Sales (x)	5.9	5.5	8.1	6.6	5.9
EV/EBITDA (x)	22.2	20.4	29.6	23.8	20.6
P/E (x)	29.1	26.9	38.7	32.4	27.4
P/BV (x)	4.7	4.2	6.1	4.9	4.4

## Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Dates	Rating	Target
2-Jun-21	BUY	783
8-Nov-21	BUY	948
13-Jun-22	BUY	970
10-Nov-22	HOLD	1,078
31-May-23	BUY	1,101
12-Sep-23	BUY	1,255
7-Feb-24	HOLD	1,600
10-Jun-24	HOLD	1,655

## Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review

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