RESULT UPDATE

SUN PHARMACEUTICALS

Back on growth path

India Equity Research| Pharmaceuticals

Sun Pharmaceuticals' (SUNP) Q4FY18 numbers adjusted for one-offs were in-line with our estimates. Key highlight was low double-digit revenue growth guidance for FY19. This assumes Halol clearance and launch of *Ilumya*, *Yonsa* and *Seciera* in FY19. Though we expect the business to come back to its growth trajectory, specialty investments are likely to remain high in the short term. Consequently, we expect margins to remain at current levels at best. We estimate specialty pipeline to add ~USD300mn revenue over the next five years, as decline in *Absorica* and *Levulan-Kerastick* will partly offset key assets – *Ilumya* (tildrakizumab), *Seciera* (OTX-101), and *Yonsa*. Though, SUNP's strategy of moving into specialty is a prudent step, the shift from generics will have a steep learning curve. Maintain 'HOLD' with a target price of INR480.

In-line performance versus muted expectations

US revenue rebounded 12% QoQ, led by – i) partial resumption in supply from Halol, and ii) Taro volume growth and new product launches. SUNP launched *gGlumetza* in the US and achieved 10% share in *Odomzo*. Company is looking to rationalize its US portfolio. Domestic remained weak, up 2%. There were of couple one-offs during the quarter – 1) USD20mn milestone payment from Almirall, 2) Tax write back of INR2.6bn.

Hopes pinned on Halol approval; specialty business to take off

Management guided for low double digit growth assuming Halol clearance and launch of *Ilumya*, *Yonsa* and *Seciera* in FY19. R&D investments and marketing spend to remain elevated. On specialty –1) *Ilumiya* - currently undergoing phase II trials for psoriatic arthritis and ankylosing spondylitis, and expects readouts in FY19-20; 2) *Seciera* (indicated for dry eye) – expects to commercialise in FY19; 3) *Absorica* – changes in co-pay led to 50% decline in prescription but improved profitability. SUNP expects its specialty investments to breakeven in FY20.

Outlook and valuations: Upside remains limited; maintain 'HOLD'

With the recent run up in the stock, we believe most upsides from Halol clearance and specialty pipeline are already baked in the price. Hence, we believe the risk-reward is not favorable; moreover, we see limited upside from the current level. Hence, we maintain **'HOLD/SU'** with TP of INR 480 (22x FY20E EPS).

Financials (Consolidated) **(INR mn)**

Year to March	Q4FY18	Q4FY17	% chg	Q3FY18	% chg	FY18	FY19E	FY20E
Net revenue	69,771	71,370	*(2.2)*	66,532	*4.9*	2,64,895	2,95,284	3,29,456
EBITDA	16,835	15,475	*8.8*	14,534	*15.8*	56,081	67,801	81,162
Adj. profit	10,504	12,237	*(14.2)*	8,784	*19.6*	33,665	39,882	52,076
Adj. dil. EPS	5.4	5.1	*7.0*	1.5	*258.2*	14.0	16.6	21.6
P/E (x)						33.4	28.2	21.6
ROAE (%)						9.3	9.9	11.7

EDELWEISS 4D RATINGS

Absolute Rating	**HOLD**
Rating Relative to Sector	Underperform
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Equalweight

MARKET DATA *(R: SUN.BO, B: SUNP IN)*

CMP	: INR 467
Target Price	: INR 480
52-week range (INR)	: 610 / 433
Share in issue (mn)	: 2,399.3
M cap (INR bn/USD mn)	: 1,119 / 16,272
Avg. Daily Vol.BSE/NSE('000)	: 5,974.8

SHARE HOLDING PATTERN (%)

	Current	Q3FY18	Q2FY18
Promoters *	54.4	54.4	54.4
MF's, FI's & BK's	14.9	14.9	13.9
FII's	17.2	17.2	18.2
Others	13.5	13.5	13.6

** Promoters pledged shares (% of share in issue) : 0.4*

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Pharma Index
1 month	(9.3)	0.3	(6.5)
3 months	(18.1)	1.1	(8.3)
12 months	(21.1)	11.5	(4.8)

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Guidance:

- Low double-digit growth in top line assuming Halol clearance in FY19.
- R&D expense will increase, while rationalising investment in products that the company believes are long term.
- R&D at 8-9% of FY19 sales – higher proportion on specialty.

Financials:

- Q4FY18 top line was down 2% YoY.
- Material costs were lower due to better mix and lower COGS for Taro.
- Increase in staff costs was due to rise in specialty in the US.
- Other expenses were higher due to investments in specialty and higher R&D.
- 27% payout is lower than last year.
- SUNP needs to conserve cash for investments.

US:

- Pricing pressure from increased competition
  - If there are products where someone moves out of the market and SUNP can supply, then the company sees an upside.
- Change in co-pay programme in Absorica because of which sales had dipped.
  - Previous co-pay and coupon programmes meant low value capture. Now, new co-pay structure will capture higher value.
- **US drug pricing proposals**: Will be able to comment on it going ahead.
- **Submitted BLA**: *Ilumya* to be launched in Q2FY19.
- **Approval of *Yonsa***: Commercialising in Q1FY19.
- USFDA accepted OTX-101 NDA. Expects to commercialise in FY19.
- ***Odomzo****:* Has touched 10% market share.
- Psoriasis market
  - No changes in WAC pricing.
  - Extra rebating to hold on to the formulary is possible….but not seen in public domain.
  - IL-23 as a class will continue to gain share.
- **Glumetza**: Product has just been received in the US.
- Ilumya is currently undergoing phase II studies for psoriatic arthritis and akylosph arythritis and expects readout sometime this year.
- Plan to do some study in gastro-enterology this year.

On Halol:

- Continues to update FDA about remediations process and await their response.
- Trying to get the plant recertified at the earliest.
- The company's current understanding is that Halol will not require a re-inspection.
- Taking much longer than expected.
- Total 18 USFDA audits in FY18.
- Q2FY19 last date for remediation response.
- **Pharmalucence**: Smaller, limited capabilities. So cannot all be done from here.

Table 1: Actual versus estimates

Year to March	Actual Q4FY18	*Y-o-Y Growth (%)*	Edel estimates	*Y-o-Y Growth (%)*	*Deviation from Actual*
Revenue	**69,771**	***(2.2)***	**66,769**	***(6.4)***	***4.5***
Raw material costs	17,701	*(19.4)*	21,099	*(3.9)*	*(16.1)*
Gross profit	52,070	*5.4*	45,670	*(7.6)*	*14.0*
Gross margins (%)	**74.6**		**68.4**		
Employee costs	13,413	*7.4*	13,700	*9.7*	*(2.1)*
R&D	7,430	*23.8*	4,700	*(21.7)*	*58.1*
Other expenses	14,393	*(6.9)*	13,000	*(15.9)*	*10.7*
Total operating expenses	35,235	*24.4*	31,400	*(27.8)*	*12.2*
EBITDA	**16,835**	***8.8***	**14,270**	***(7.8)***	***18.0***
EBITDA margin (%)	**24.1**		**21.4**		
Net finance income (exp)	1,554	*245.4*	1,232	*173.9*	
Depreciation	4,552	*34.6*	3,400	*0.5*	*33.9*
Other income	3,028	*34.9*	1,200	*(46.5)*	*152.3*
PBT	13,756	*(1.0)*	10,838	*(22.0)*	*26.9*
Income tax expense	819	*84.8*	1,489	*236.1*	*(45.0)*
Tax rate (%)	6.0		13.7		
Minorities	2,434	*101.4*	1,388	*14.9*	*75.3*
Reported Net profit	13,090	*7.0*	7,961	*(34.9)*	*64.4*
Adjusted Net profit	10,504	*(14.2)*	7,961	*(34.9)*	*31.9*

Source: Company, Edelweiss research

Table 2: Actual versus estimates

Year to March	Q4FY18	Q4FY17	*% change*	Q3FY18	*% change*
Total formulations	63,573	64,159	*(0.9)*	62,070	*2.4*
Domestic formulations	19,626	19,164	*2.4*	20,850	*(5.9)*
International formulations	43,946	44,995	*(2.3)*	41,220	*6.6*
US generics	23,716	25,545	*(7.2)*	21,242	*11.6*
Emerging Market Formulations	12,794	12,127	*5.5*	12,212	*4.8*
RoW Formulations	7,437	7,323	*1.5*	7,766	*(4.2)*
Total bulk	3,324	3,955	*(15.9)*	3,698	*(10.1)*
Others	213	138	*54.3*	215	*(0.7)*
Total gross sales	**67,110**	**68,252**	***(1.7)***	**65,982**	***1.7***

Source: Company, Edelweiss research

Chart 1: US sales showed sequential growth

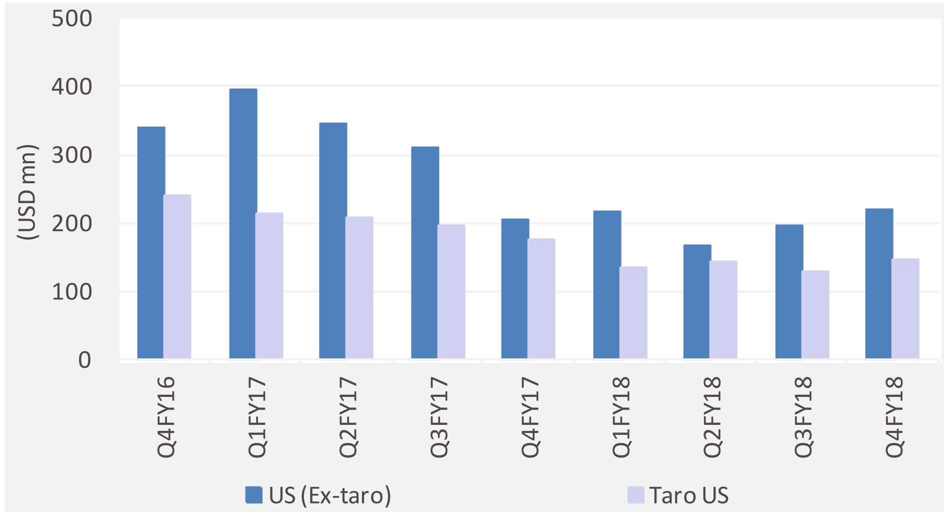


Chart 2: Taro's US business declined sequentially

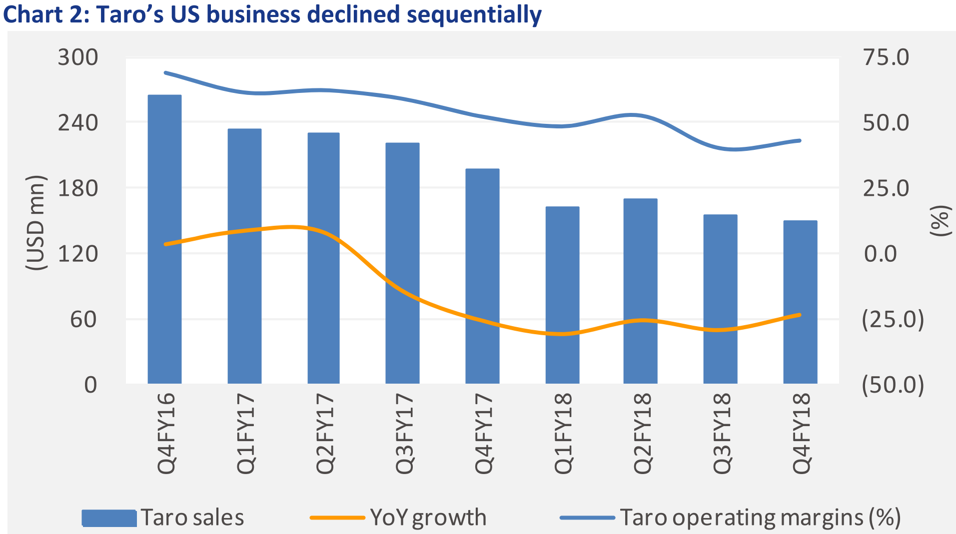
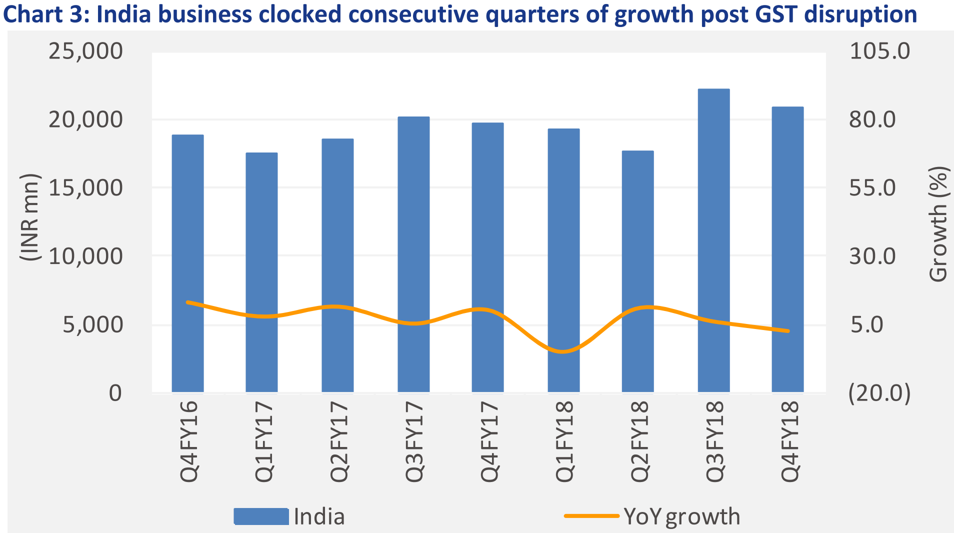


Chart 3: India business clocked consecutive quarters of growth post GST disruption



Source: Company, Edelweiss research

Table 3: Therapy-wise breakup

	Contribution (%)	MAT Mar'18	MAT Mar'17	*Growth YoY (%)*
Anti-infectives	13	5,171	4,914	*5.2*
Cardiac	13	5,131	5,325	*(3.6)*
Respiratory	12	4,791	4,439	*7.9*
Gastro Intestinal	11	4,166	4,456	*(6.5)*
Gynaec.	9	3,683	3,822	*(3.6)*
Derma	8	2,974	2,706	*9.9*
Pain / Analgesics	8	2,973	2,958	*0.5*
Vitamins / Minerals / Nutrients	4	1,631	1,653	*(1.3)*
Hormones	4	1,493	1,603	*(6.9)*
Anti Diabetic	2	891	722	*23.4*
Total Sales	**100**	**38,870**	**37,889**	***2.6***

Source: Company, IMS

Table 4: Top brands

	MAT Mar'18	MAT Mar'17	*Growth YoY (%)*
SKINLITE	1,494	1,434	*4.2*
DERIPHYLLIN	1,268	1,204	*5.3*
ATORVA	955	954	*0.1*
MIFEGEST-KIT	885	1,041	*(15.0)*
DECA DURABOLIN	865	955	*(9.4)*
AMICIN	831	654	*27.0*
PANTODAC	823	935	*(12.1)*
FORMONIDE	667	642	*3.9*
FALCIGO	666	786	*(15.3)*
THROMBOPHOB	608	550	*10.5*
Total	**9,061**	**9,156**	***(1.0)***

Source: Company, IMS

Financial snapshot **(INR mn)**

Year to March	Q4FY18	Q4FY17	% change	Q3FY18	% change	FY18	FY19E	FY20E
Net revenues	69,771	71,370	*(2.2)*	66,532	*4.9*	264,895	295,284	329,456
Cost of revenue	17,701	21,952	*(19.4)*	20,997	*(15.7)*	74,247	80,871	87,441
Gross profit	52,070	49,418	*5.4*	45,535	*14.4*	190,648	214,412	242,015
R&D	7,430	6,000	*23.8*	4,730	*57.1*	22,490	23,623	26,356
Other expenses	14,393	15,455	*(6.9)*	12,545	*14.7*	58,406	64,220	70,144
EBITDA	16,835	15,475	*8.8*	14,534	*15.8*	56,081	67,801	81,162
EBITDA margin	24.1	21.7		21.8		21.2	23.0	24.6
Depreciation	4,552	3,382	*34.6*	3,393	*34.2*	14,998	15,304	15,704
EBIT	12,283	12,093	*1.6*	11,141	*10.2*	41,083	52,496	65,458
Interest	1,554	450	*245.4*	953	*63.0*	5,176	6,189	4,389
Other income	3,028	2,245	*34.9*	1,292	*134.3*	8,388	5,102	6,137
Add: Prior period items								
Profit before tax	13,756	13,888	*(1.0)*	11,479	*19.8*	32,245	51,409	67,207
Provision for taxes	819	443	*84.8*	2,357	*(65.3)*	5,907	7,711	10,753
Minority interest	2,434	1,208	*101.4*	338	*619.3*	4,722	3,816	4,378
Add: Exceptional items	(2,586)	-		5,130	*NA*	(12,050)	-	-
Reported net profit	13,090	12,237	*7.0*	3,654	*258.2*	21,616	39,882	52,076
Adjusted Profit	10,504	12,237	*(14.2)*	8,784	*19.6*	33,665	39,882	52,076
Diluted shares (mn)	1,933	2,409		5,791		2,407	2,407	2,407
Adjusted Diluted EPS	5.4	5.1	*7.0*	1.5	*258.2*	14.0	16.6	21.6
As % of net revenues								
Cost of revenue	25.4	30.8		31.6		28.0	27.4	26.5
Gross profit	74.6	69.2		68.4		72.0	72.6	73.5
R&D	10.6	8.4		7.1		8.5	8.0	8.0
Total expenses	75.9	78.3		78.2		78.8	77.0	75.4
Operating profit	17.6	16.9		16.7		15.5	17.8	19.9
Reported net profit	18.8	17.1		5.5		8.2	13.5	15.8
Tax rate	6.0	3.2		20.5		18.3	15.0	16.0

Company Description

Sun Pharmaceuticals (SUNP) is the largest Indian Pharma company with an impressive track record of organic and inorganic growth. Various US acquisitions augment SUNP's pipeline with differentiated products, where SUNP has turned around business in a highly profitable manner – Taro/ TDPL/Natco's brands/etc. It has one of the highest return ratios amongst global peers.

Investment Theme

Challenging macro environment, regulatory woes and the endeavour to create a specialty business in the US are exerting significant pressure on the business. We believe the two growth triggers from here are: 1) up take for tildrakizumab and Seciera in FY19; 2) clearance of Halol facility. We believe the risk-reward is unfavourable.

Key Risks

1) Better than expected pick up in tildrakizumab; 2) Competition failing to take-off in Levulan and Absorica; 3) Surprise launch of product not considered in our forecasts.

Financial Statements

Key Assumptions

Year to March	FY17	FY18	FY19E	FY20E
Macro				
GDP(Y-o-Y %)	6.6	6.5	7.1	7.6
Inflation (Avg)	4.5	3.6	4.5	5.0
Repo rate (exit rate)	6.3	6.0	6.0	6.5
USD/INR (Avg)	67.1	64.5	66.0	66.0
Sector				
IPM growth (Y-o-Y) %	12.0	12.0	12.0	12.0
Company				
India sales (INR mn)	77,491	80,293	91,265	104,783
US generics (USD mn)	2,051	1,372	1,489	1,651
Growth (YoY)%	(0.7)	(33.1)	8.6	10.9
EBITDA margins (%)	31.9	21.2	23.0	24.6
R&D (% of sales)	6.7	8.5	8.0	8.0
USD/INR (Avg)	67.1	64.5	66.0	66.0
Net debt to equity (x)	(0.2)	(0.1)	(0.2)	(0.3)
Capex (INR mn)	35,904	23,411	10,000	8,000

Income statement (INR mn)

Year to March	FY17	FY18	FY19E	FY20E
Gross revenues	302,642	260,659	291,284	324,456
Net revenue	302,642	260,659	291,284	324,456
Other Operating Income	13,142	4,235	4,000	5,000
Income from operations	315,784	264,895	295,284	329,456
Materials costs	81,307	74,247	80,871	87,441
Employee costs	49,023	53,671	58,769	64,352
R&D Cost	21,024	22,490	23,623	26,356
EBITDA	100,893	56,081	67,801	81,162
Operating profit	100,893	56,081	67,801	81,162
EBIT	88,245	41,083	52,496	65,458
Less: Interest Expense	3,998	5,176	6,189	4,389
Add: Other income	6,231.5	8,387.6	5,101.56	6,137.38
Profit Before Tax	90,479	32,245	51,409	67,207
Less: Provision for Tax	12,116	5,907	7,711	10,753
Less: Minority Interest	8,719	4,722	3,816	4,378
Add: Exceptional items	-	(12,050)	-	-
Reported Profit	69,644	21,616	39,882	52,076
Exceptional Items	-	(12,050)	-	-
Adjusted Profit	69,644	33,665	39,882	52,076
Shares o /s (mn)	2,407	2,407	2,407	2,407
Adjusted Basic EPS	28.9	14.0	16.6	21.6
Diluted shares o/s (mn)	2,407	2,407	2,407	2,407
Adjusted Diluted EPS	28.9	14.0	16.6	21.6
Adjusted Cash EPS	34.2	20.2	22.9	28.2
Dividend per share (DPS)	3.5	2.0	1.7	2.2
Dividend Payout Ratio(%)	12.1	22.3	10.0	10.0

Common size metrics

Year to March	FY17	FY18	FY19E	FY20E
Materials costs	25.7	28.0	27.4	26.5
Staff costs	15.5	20.3	19.9	19.5
Operating expenses	68.1	78.8	77.0	75.4
R & D cost	6.7	8.5	8.0	8.0
Depreciation	4.0	5.7	5.2	4.8
EBITDA margins	31.9	21.2	23.0	24.6
Interest Expense	1.3	2.0	2.1	1.3
Net Profit margins	24.8	14.5	14.8	17.1

Growth ratios (%)

Year to March	FY17	FY18	FY19E	FY20E
Revenues	8.5	(13.9)	11.7	11.4
EBITDA	23.7	(44.4)	20.9	19.7
PBT	37.7	(64.4)	59.4	30.7
Adjusted Profit	33.1	(51.7)	18.5	30.6
EPS	33.1	(51.7)	18.5	30.6

Balance sheet				(INR mn)
As on 31st March	**FY17**	**FY18**	**FY19E**	**FY20E**
Share capital	2,399	2,399	2,399	2,399
Reserves & Surplus	363,997	378,606	413,702	459,529
Shareholders' funds	366,397	381,006	416,102	461,928
Minority Interest	37,909	38,842	42,657	47,035
Long term borrowings	14,361	17,721	12,721	7,721
Short term borrowings	66,549	79,797	69,797	59,797
Total Borrowings	80,910	97,518	82,518	67,518
Long Term Liabilities	13,418	4,627	4,627	4,627
Def. Tax Liability (net)	(21,780)	(19,748)	(19,748)	(19,748)
Sources of funds	**476,853**	**502,244**	**526,156**	**561,360**
Gross Block	189,302	225,677	235,677	243,677
Depreciation	12,648	14,998	15,304	15,704
Net Block	121,390	142,766	137,462	129,757
Capital work in progress	28,014	14,345	14,345	14,345
Intangible Assets	55,362	56,067	56,067	56,067
Total Fixed Assets	204,766	213,178	207,874	200,169
Non current investments	9,610	30,523	30,523	30,523
Cash and Equivalents	153,717	140,200	172,018	213,297
Inventories	68,328	68,807	63,036	79,517
Sundry Debtors	72,026	78,153	65,354	72,917
Loans & Advances	35,465	29,199	29,199	29,199
Current Assets (ex cash)	175,819	176,159	157,589	181,634
Trade payable	43,954	47,662	31,693	54,108
Other Current Liab	68,367	71,184	71,184	71,184
Total Current Liab	112,321	118,846	102,877	125,293
Net Curr Assets-ex cash	63,498	57,313	54,712	56,341
Uses of funds	**476,853**	**502,244**	**526,156**	**561,360**
BVPS (INR)	152.2	158.3	172.9	191.9

Free cash flow				(INR mn)
Year to March	**FY17**	**FY18**	**FY19E**	**FY20E**
Reported Profit	69,644	21,616	39,882	52,076
Add: Depreciation	12,648	14,998	15,304	15,704
Interest (Net of Tax)	3,463	4,228	5,261	3,686
Others	7,479	(69,051)	(58)	(6,946)
Less: Changes in WC	22,411	(32,412)	2,601	(1,630)
Operating cash flow	70,822	4,202	57,788	66,151
Less: Capex	35,904	23,411	10,000	8,000
Free Cash Flow	**34,918**	**(19,209)**	**47,788**	**58,151**

Cash flow metrics

Year to March	FY17	FY18	FY19E	FY20E
Operating cash flow	70,822	4,202	57,788	66,151
Financing cash flow	(22,854)	(10,762)	(15,970)	(16,871)
Investing cash flow	(42,216)	(44,324)	(10,000)	(8,000)
Net cash Flow	5,752	(50,884)	31,818	41,279
Capex	(35,904)	(23,411)	(10,000)	(8,000)
Dividend paid	(2,920)	(5,776)	(4,786)	(6,249)

Profitability and efficiency ratios

Year to March	FY17	FY18	FY19E	FY20E
ROACE (%)	20.3	10.0	11.0	13.0
ROAE (%)	20.2	9.3	9.9	11.7
Inventory Days	298	337	298	298
Debtors Days	84	105	90	78
Payable Days	179	225	179	179
Cash Conversion Cycle	203	217	208	196
Current Ratio	2.9	2.7	3.2	3.2
Gross Debt/EBITDA	0.8	1.7	1.2	0.8
Gross Debt/Equity	0.2	0.2	0.2	0.1
Adjusted Debt/Equity	0.2	0.2	0.2	0.1
Net Debt/Equity	(0.2)	(0.1)	(0.2)	(0.3)
Interest Coverage Ratio	22.1	7.9	8.5	14.9

Operating ratios

Year to March	FY17	FY18	FY19E	FY20E
Total Asset Turnover	0.7	0.5	0.6	0.6
Fixed Asset Turnover	1.8	1.4	1.5	1.7
Equity Turnover	0.8	0.6	0.7	0.7

Valuation parameters

Year to March	FY17	FY18	FY19E	FY20E
Adj. Diluted EPS (INR)	28.9	14.0	16.6	21.6
Y-o-Y growth (%)	*33.1*	*(51.7)*	*18.5*	*30.6*
Adjusted Cash EPS (INR)	34.2	20.2	22.9	28.2
Diluted P/E (x)	16.1	33.3	28.1	21.6
P/B (x)	3.1	2.9	2.7	2.4
EV / Sales (x)	3.6	4.3	3.7	3.2
EV / EBITDA (x)	10.8	19.9	15.9	12.6
Dividend Yield (%)	0.7	0.4	0.4	0.5

Peer comparison valuation

	Market cap	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
Name	**(USD mn)**	**FY19E**	**FY20E**	**FY19E**	**FY20E**	**FY19E**	**FY20E**
Sun Pharmaceuticals Industries	16,509	28.1	21.6	15.9	12.6	9.9	11.7
Cipla	6,339	23.7	19.3	14.6	12.6	11.8	13.0
Dr.Reddys Laboratories	4,805	15.8	11.8	9.8	7.8	15.4	17.8
Lupin	4,960	21.5	17.3	11.7	10.1	10.9	12.4
Median	-	22.6	18.3	12.9	10.7	11.5	12.7
AVERAGE	-	22.3	17.5	12.8	10.4	12.1	13.7

Source: Edelweiss research

Additional Data

Directors Data

Israel Makov	Chairman	Dilip S. Shanghvi	Managing Director
Sudhir Valia	Executive Director	Sailesh T. Desai	Executive Director
Hasmukh S. Shah	Non-Executive Independent Director	Keki M. Mistry	Non-Executive Independent Director
Ashwin Dani	Non-Executive Independent Director	S. Mohanchand Dadha	Non-Executive Independent Director
Rekha Sethi	Non-Executive Independent Director		

Auditors - Deloitte,Haskins and Sells

Holding – Top10

	Perc. Holding		Perc. Holding
Life Insurance Corporation of India	5.53	SBI Funds Management	1.25
ICICI Prudential Asset Management	3.19	Matthews International Capital Management	0.75
Vanguard group	1.56	Reliance Capital	0.75
Blackrock	1.54	UTI Asset Management	0.67
GIC Private Limited	1.25	FIL Limited	0.56

**in last one year*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
02 Apr 2018	Jayant S Sanghvi	Sell	1840700.00
19 Mar 2018	Jirendra V Valia-Huf	Buy	15000.00
22 Feb 2018	Jayant S Sanghvi	Sell	24200.00
06 Feb 2018	Jayant S Sanghvi	Sell	1079855.00
31 Jan 2018	Pratham Investments	Sell	1220669.00

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Aurobindo Pharma	HOLD	SP	H	Cadila Healthcare	BUY	SO	M
Cipla	HOLD	SP	L	Divi's Laboratories	REDUCE	SU	H
Dr.Reddys Laboratories	BUY	SP	M	Glenmark Pharmaceuticals	HOLD	SU	H
Ipca Laboratories	BUY	SO	H	Lupin	HOLD	SP	M
Natco Pharma	BUY	SO	M	Sun Pharmaceuticals Industries	HOLD	SU	M
Torrent Pharmaceuticals	HOLD	SP	M				

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

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Date: 2018.05.25 22:33:25 +05'30'

Coverage group(s) of stocks by primary analyst(s): Pharmaceuticals

Aurobindo Pharma, Cadila Healthcare, Cipla, Divi's Laboratories, Dr.Reddys Laboratories, Glenmark Pharmaceuticals, Ipca Laboratories, Lupin, Natco Pharma, Sun Pharmaceuticals Industries, Torrent Pharmaceuticals

Recent Research

Date	Company	Title	Price (INR)	Recos
25-May-18	**Cadila Healthcare**	Strong performance; bright outlook; *Result Update*	383	Buy
24-May-18	**Natco Pharma**	Party continues; strong strategy thrust ahead; *Result Update*	790	Buy
22-May-18	**Cipla**	Margin pressures to remain; *Result Update*	524	Hold

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

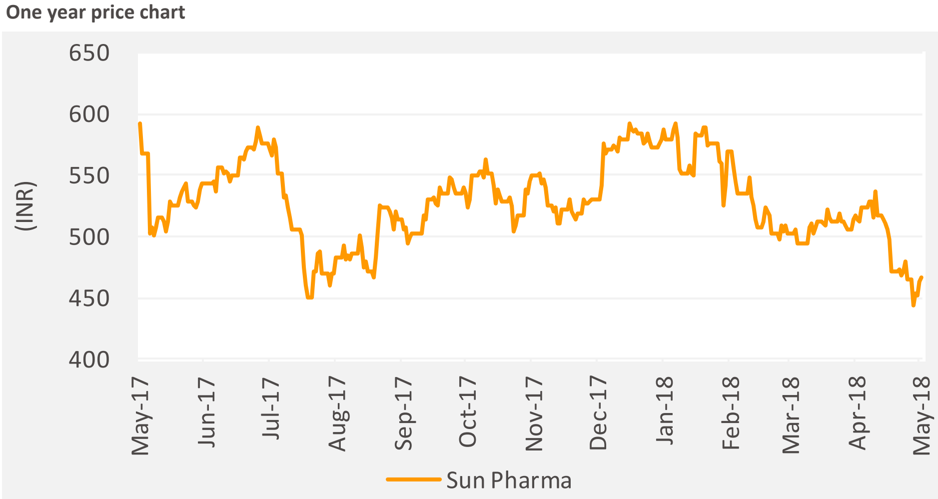
	Buy	Hold	Reduce	Total
Rating Distribution* * 1stocks under review	161	67	11	240

	> 50bn	Between 10bn and 50 bn	< 10bn
Market Cap (INR)	156	62	11

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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