

# Sun Pharma

BSE SENSEX	S&P CNX
35,144	10,583
Bloomberg	SUNP IN
Equity Shares (m)	2,399
M.Cap.(INRb)/(USD\$b)	1347.7 / 18.5
52-Week Range (INR)	679 / 435
1, 6, 12 Rel. Per (%)	-6/20/-1
Avg Val, INRm	3677
Free float (%)	45.6

**CMP: INR562**

**TP: INR760 (+35%)**

**Buy**

## Progressing well in Specialty; Generics biz to pick up gradually

- Domestic formulation sales disappoint:** 2QFY19 revenue grew moderately by ~4% YoY to INR68.5b (our estimate: INR75.5b). The miss in revenue is primarily attributable to de-growth in domestic business (~28% of sales) on the back of one-time inventory reduction in supply chain. US business (~36% of sales) grew by a healthy ~11% YoY in constant currency. Gross margin improved by ~280bp YoY (+380bp QoQ) to 74.3%, largely due to lower COGS for Taro and write-back of certain provisions taken earlier. EBITDA margin expanded by ~110bp YoY (-30bp QoQ) to 21%. SUNP reported a loss of INR2.2b during the quarter due to one-time provision of INR12.1b related to the Modafinil anti-trust litigation. Adjusted for this, PAT was up ~9% YoY to INR9.9b (our estimate: INR10.9b). For 1HFY19, sales/EBITDA/PAT increased 10%/27%/38% YoY to INR141.6b/INR31.4b/INR19.8b.
- Headway in Specialty encouraging:** The initial off-take of the recently launched Illumya (Tildrakizumab) has been encouraging, especially considering intense competition in the US. Tildrakizumab would also be soon commercialized in Europe, with sales gradually ramping up in EU countries. Operating cost toward expansion in field force for specialty products is being incurred, which would further increase with the launch of more such products – particularly Sequa and Xelpros – in the coming quarters. There is steady increase in prescription for Absorica over the past three months.
- Earnings call takeaways:** (a) Although R&D spend was lower at 6.8% of sales in 1HFY19, SUNP guided for higher spend in 2HFY19, largely toward specialty products. It would evaluate R&D in generics based on economic viability of products. (b) Filed four ANDAs in 2Q, taking cumulative pending approvals to 134; also has 6 NDAs pending for approval. (c) Launched 13 products in domestic market. (d) Guided for low-teen growth in domestic biz.
- Valuation view:** We cut our FY19/20 EPS estimates by 6%/3% to INR17.5/INR25.5 to factor in lower domestic formulation business. We roll to 27x (unchanged) 12M forward earnings and arrive at a TP of INR760 (prior: INR780). We remain positive on SUNP, considering likely ramp-up of specialty products, increased approvals from Halol, and good potential in domestic formulation. Maintain **Buy**.

### Financials & Valuations (INR b)

Y/E Mar	2018	2019E	2020E
Net Sales	260.7	305.9	348.7
EBITDA	51.8	65.5	88.9
PAT	32.4	42.1	61.4
EPS (INR)	13.5	17.5	25.5
Gr. (%)	-48.5	30.0	46.0
BV/Sh (INR)	158.4	166.7	188.2
RoE (%)	8.7	10.8	14.4
RoCE (%)	8.1	10.4	15.1
P/E (x)	41.8	32.1	22.0
P/BV (x)	3.5	3.4	3.0

Estimate change



TP change



Rating change



Quarterly Performance (Consolidated)											(INR Million)	
Y/E March	FY18				FY19E				FY18	FY19E	FY19E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	%
Net Revenues	61,667	65,901	65,982	67,110	71,388	68,465	78,836	87,162	260,659	305,852	75,512	-9.3
YoY Change (%)	-23.0	-15.1	-14.1	-1.7	15.8	3.9	19.5	29.9	-13.9	17.3	14.6	
Total Expenditure	51,131	52,747	51,999	52,936	56,175	54,064	62,044	68,096	208,813	240,379	59,126	
EBITDA	10,535	13,153	13,984	14,174	15,214	14,401	16,792	19,066	51,846	65,473	16,386	-12.1
Margins (%)	17.1	20.0	21.2	21.1	21.3	21.0	21.3	21.9	19.9	21.4	21.7	
Depreciation	3,466	3,587	3,393	4,552	4,016	4,265	4,100	4,119	14,998	16,500	3,750	
Interest	1,094	1,574	953	1,554	1,309	1,295	1,300	1,296	5,176	5,200	900	
Net Other Income	1,941	3,151	1,842	5,688	2,851	4,423	3,550	3,676	12,623	14,500	2,850	
PBT before EO Exp	7,916	11,144	11,479	13,756	12,739	13,263	14,942	17,328	44,295	58,273	14,586	-9.1
Less: EO Exp/(Inc)	9,505	0	0	0	0	12,144	0	0	9,505	12,144	0	
PBT	-1,589	11,144	11,479	13,756	12,739	1,119	14,942	17,328	34,790	46,129	14,586	
Tax	1,618	1,114	7,487	-1,767	1,639	2,189	2,764	3,606	8,452	10,198	2,188	
Rate (%)	20.4	10.0	65.2	-12.8	12.9	16.5	18.5	20.8	19.1	17.5	15.0	
PAT (pre Minority Interest)	-3,207	10,030	3,992	15,523	11,101	-1,070	12,178	13,722	26,338	35,931	12,398	
Minority Interest	1,042	908	338	2,434	1,275	1,119	1,500	2,106	4,722	6,000	1,500	
Reported PAT	-4,249	9,121	3,654	13,090	9,825	-2,188	10,678	11,616	21,616	29,931	10,898	-120.1
One-off upsides	0	0	-5,130	3,890	0	0	0	0	-1,240	0	0	
Adj Net Profit	5,256	9,121	8,784	9,200	9,825	9,956	10,678	11,616	32,361	42,075	10,898	-8.6
YoY Change (%)	-74.2	-59.2	-40.3	-24.8	86.9	9.1	21.6	26.3	-48.5	30.0	19.5	
Margins (%)	-6.9	13.8	5.5	19.5	13.8	-3.2	13.5	13.3	8.3	9.8		

### Taro's 2FY19 results: Healthy performance sequentially

SUNP's US subsidiary Taro reported 2Q numbers on 11<sup>th</sup> Nov 2018. Key highlights:

- 2QFY19 revenue declined ~6% YoY (+3% QoQ) to USD159m (despite higher volumes) due to pricing pressure and intense competition. Volumes grew ~7% YoY.
- Gross margin shrank ~530bp (+350bp QoQ).
- EBITDA declined ~10% YoY (+23% QoQ) to USD83.2m. EBITDA margin contracted ~530bp YoY (+870bp QoQ) to 52.4%, primarily due to GM contraction and higher SG&A expense (+130bp as % of sales), partially offset by lower R&D spend (-140bp).
- During the quarter, there were credit of USD4m related to settlement of a patent infringement
- Taro incurred a forex loss of USD6m as against USD32.6m in 2QFY18 and gain of USD10m in 1QFY19.
- PAT during the quarter increased by ~19% YoY (-7% QoQ) to USD62.6m.
- Company recently received approval for three ANDAs – Clobetasol Propionate Foam, 0.05%, Adapalene and Benzoyl Peroxide Gel 0.3%/2.5%, and Clobazam Tablets, 10 mg and 20 mg.
- Company has total of 30 pending ANDAs, including six tentative approvals.

**Exhibit 1: Taro Financials**

USD M	2QFY19A	2QFY18A	% YoY	1QFY19A	% QoQ
<b>Sales</b>	<b>159.0</b>	<b>169.9</b>	<b>-6.4</b>	<b>154.6</b>	<b>2.8</b>
<i>Growth (%)</i>					
Cost of sales (incl Depn)	50.4	44.8	12.5	54.5	-7.5
<b>Gross profit</b>	<b>108.6</b>	<b>125.1</b>	<b>-13.2</b>	<b>100.1</b>	<b>8.5</b>
<i>GP Margin (%)</i>	68.3	73.6	(534)bp	64.7	354 bp
<b>Operating expenses:</b>					
R&D	14.7	18.0	-18.6	13.3	9.8
<i>R&amp;D as a % of sales</i>	9.2	10.6		8.6	
SG&A	15.2	18.3	-17.0	23.5	-35.5
<i>SG&amp;A as a % of sales</i>	9.6	10.8		15.2	
<b>Operating Profit</b>	<b>78.7</b>	<b>88.8</b>	<b>-11.4</b>	<b>63.2</b>	<b>24.5</b>
<i>Operating Profit Margin (%)</i>	49.5	52.3	(275)bp	40.9	862 bp
<b>EBITDA</b>	<b>83.2</b>	<b>92.8</b>	<b>-10.3</b>	<b>67.5</b>	<b>23.3</b>
<i>EBITDA margin (%)</i>	52.4	54.6	(228)bp	43.7	868 bp
Financial expenses	-9.1	-4.6		-7.8	
Extraordinary items incl forex	6.0	32.7		-9.8	
Other income	-0.1	-1.3		0.6	
<b>PBT</b>	<b>81.8</b>	<b>59.4</b>	<b>37.8</b>	<b>81.4</b>	<b>0.4</b>
Taxes	19.2	6.9		14.1	
<i>Effective tax rate (%)</i>	23.5	11.6		17.3	
<b>Net income before MI</b>	<b>62.5</b>	<b>52.5</b>	<b>19.1</b>	<b>67.3</b>	<b>-7.1</b>
Minority interest	0.0	0.1		0.0	
<b>Net income (Reported)</b>	<b>62.6</b>	<b>52.4</b>	<b>19.4</b>	<b>67.3</b>	<b>-7.1</b>
Forex fluctuations	-6.0	-32.6		10.0	
<b>Net income (Adjusted)</b>	<b>68.5</b>	<b>85.0</b>	<b>-19.4</b>	<b>57.4</b>	<b>19.4</b>

Source: MOSL, Company

**More provision for Modafinil related anti-trust litigation**

During the quarter, SUNP made provision of INR12.1b, leading to PAT loss of INR2.2b. The provision is for estimated settlement amount payable to all remaining plaintiff related to Modafinil anti-trust litigation. In 1QFY18, company had incurred one-time expense of INR9.5b related to the same issue. During that time, the litigation was under way, and hence full settlement was not reached. The company has reached an in-principle agreement for settlement with the Direct Purchaser Plaintiffs while continuing to litigate as well as negotiate the case with the remaining one plaintiff. However, SUNP has guided for provision amount to be including ongoing negotiation with remaining one plaintiff.

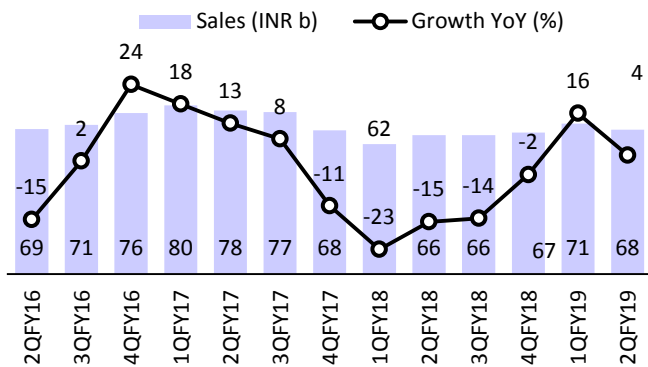
## Exhibit 2: Key operating metrics

	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19
<b>Revenue Mix (%)</b>													
India	26.4	26.6	24.2	23.2	25.9	25.6	28.1	29.1	34.9	32.4	29.0	30.1	27.1
USA	48.3	45.1	52.3	50.8	47.8	44.5	37.4	37.5	31.5	33.1	35.3	35.6	35.6
RoW	20.5	21.8	18.3	19.9	21.5	25.0	28.5	27.7	26.9	28.1	30.2	28.3	30.5
API	4.6	6.2	5.0	5.9	4.7	4.8	5.8	5.1	6.1	5.8	4.9	5.5	6.2
<b>Revenue Gr. (%)</b>													
	(14.9)	2.1	20.4	22.7	13.2	8.2	(8.7)	(24.5)	(18.0)	(16.3)	(0.8)	15.4	3.1
India	0.4	8.3	15.1	7.6	11.1	4.2	6.1	(5.0)	10.5	5.9	2.4	22.2	(16.3)
USA	(22.2)	(5.5)	28.3	31.7	12.0	6.8	(34.7)	(44.4)	(45.9)	(37.6)	(6.4)	12.5	21.5
RoW	(16.2)	(0.8)	5.8	12.3	18.7	23.8	42.0	4.9	2.6	(5.8)	5.3	10.8	4.8
API	45.2	176.6	88.2	168.2	53.9	14.0	5.2	(34.2)	5.8	1.2	(16.0)	27.5	9.8
<b>Cost of sales (%)</b>													
	72.9	69.7	69.0	66.5	65.7	71.1	81.9	82.9	80.0	78.8	78.9	78.7	79.0
Raw material	21.8	24.9	19.6	23.1	23.7	29.3	32.2	27.2	28.5	31.8	26.4	29.5	25.7
Staff cost	17.7	16.3	15.9	15.5	15.4	15.8	18.3	21.6	20.1	20.8	20.0	20.1	21.5
R&D cost	7.0	8.2	9.1	6.5	7.1	8.0	9.2	9.5	7.8	7.2	11.1	7.0	6.6
Other expenses	26.4	20.3	24.4	21.5	19.4	18.0	22.2	24.6	23.7	19.0	21.4	22.1	25.2
Tax Rate	18.7	10.0	8.0	13.4	15.1	17.7	3.2	20.4	10.0	65.2	(12.8)	12.9	16.5
<b>Margins (%)</b>													
<b>Gross Margins</b>	78.2	75.1	80.4	76.9	76.3	70.7	67.8	72.8	71.5	68.2	73.6	70.5	74.3
EBITDA Margins	27.2	30.6	33.0	35.4	38.3	31.0	21.7	17.6	20.7	21.8	24.1	22.2	22.1
EBIT Margins	25.2	30.3	30.0	34.5	38.4	29.5	21.0	14.6	19.3	18.8	22.8	19.7	21.3
PAT margins	18.6	25.8	26.5	28.4	32.0	22.5	19.7	(5.2)	15.2	6.1	23.1	15.5	(1.6)

Source: Company, MOSL

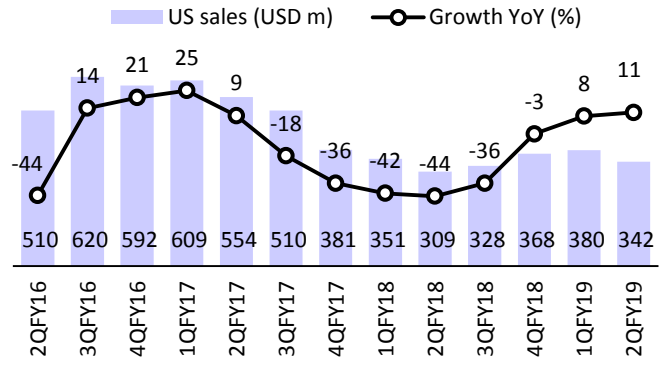
## Story in charts

**Exhibit 3: Revenues grew by ~4% YoY in 2QFY19**



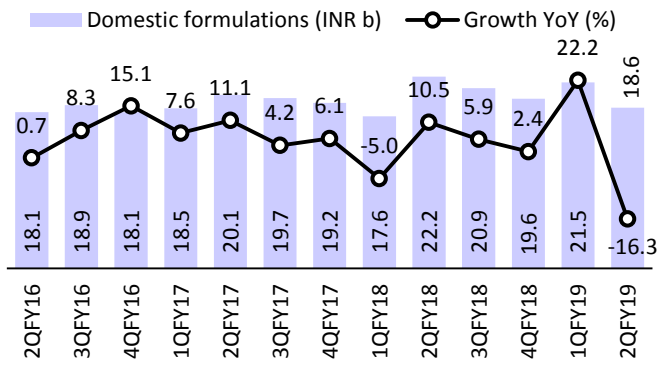
Source: Company, MOSL

**Exhibit 4: US business YoY growth on uptrend**



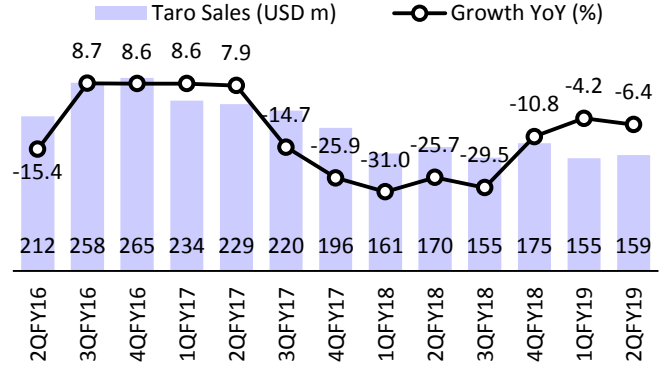
Source: Company, MOSL

**Exhibit 5: Sharp YoY decline in India sales**



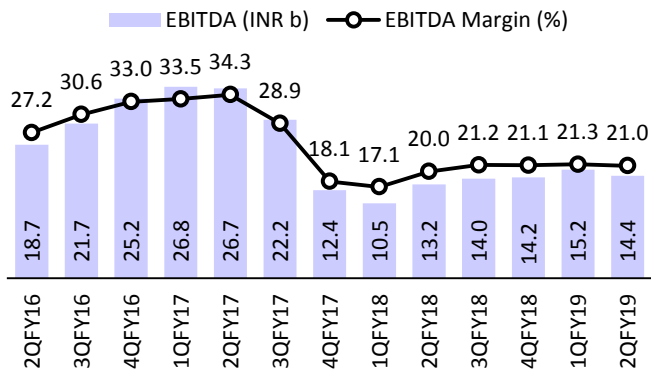
Source: Company, MOSL

**Exhibit 6: Taro sales stable sequentially**



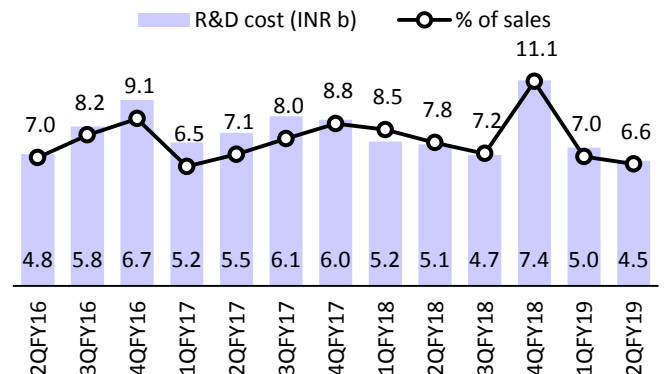
Source: Company, MOSL

**Exhibit 7: EBITDA margin stable for four quarters**



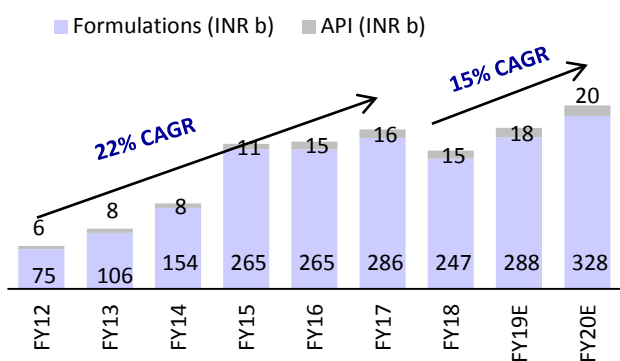
Source: Company, MOSL

**Exhibit 8: R&D expense as % of sales declined YoY and QoQ**



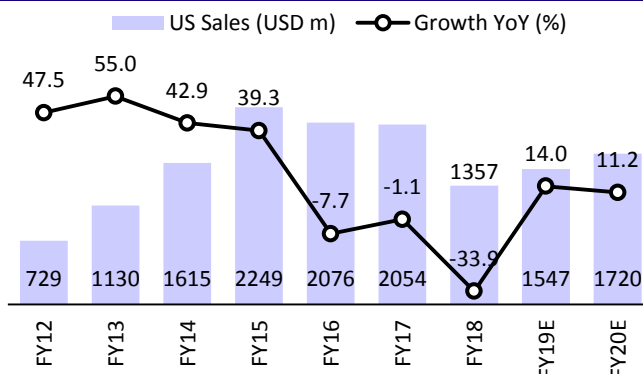
Source: Company, MOSL

**Exhibit 9: Revenues to grow at 15% CAGR over FY18-20**



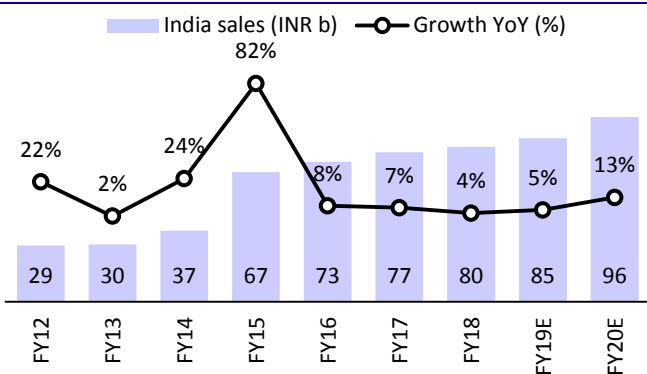
Source: Company, MOSL

**Exhibit 10: US generic sales to improve FY19 onwards**



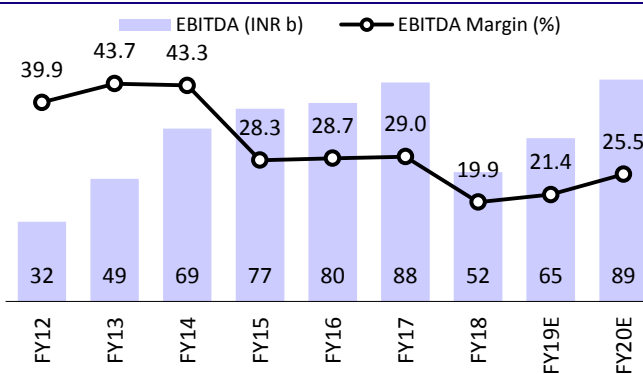
Source: Company, MOSL

**Exhibit 11: India biz to grow at 9% CAGR over FY18-20**



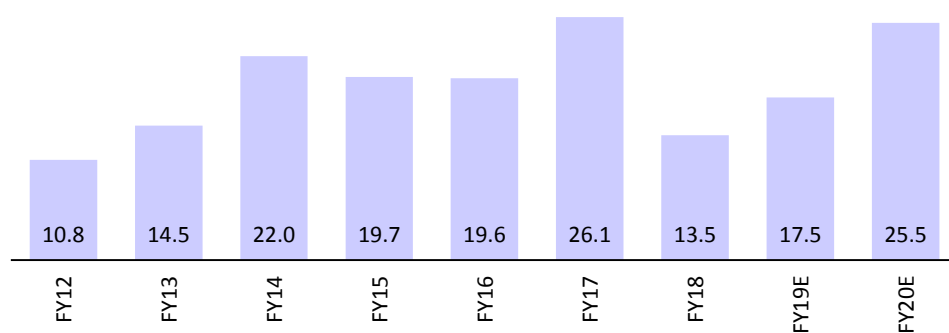
Source: Company, MOSL

**Exhibit 12: EBITDA margin to improve gradually**



Source: Company, MOSL

**Exhibit 13: EPS to exhibit ~38% CAGR over FY18-20**



Source: Company, MOSL

## Financials and Valuations

Income Statement							(INR m)	
Y/E March	2014	2015	2016	2017	2018	2019E	2020E	
<b>Net Sales</b>	<b>160,044</b>	<b>272,865</b>	<b>277,442</b>	<b>302,642</b>	<b>260,659</b>	<b>305,852</b>	<b>348,695</b>	
Total Expenditure	90,787	195,667	197,881	214,892	208,813	240,379	259,841	
% of Sales	56.7	71.7	71.3	71.0	80.1	78.6	74.5	
<b>EBITDA (INR b)</b>	<b>69,257</b>	<b>77,198</b>	<b>79,561</b>	<b>87,751</b>	<b>51,846</b>	<b>65,473</b>	<b>88,854</b>	
Margin (%)	43.3	28.3	28.7	29.0	19.9	21.4	25.5	
Depreciation	4,092	11,947	10,135	12,648	14,998	16,500	17,000	
<b>EBIT</b>	<b>65,165</b>	<b>65,250</b>	<b>69,426</b>	<b>75,103</b>	<b>36,848</b>	<b>48,973</b>	<b>71,854</b>	
Int. and Finance Charges	442	5,790	4,769	3,998	5,176	5,200	4,700	
Other Income - Rec.	6,282	6,946	9,848	19,374	12,623	14,500	16,500	
Extra-ordinary Exp	25,174	2,378	6,852	0	9,505	12,144	0	
PBT	45,831	64,029	67,653	90,479	34,790	46,129	83,654	
Tax	7,022	9,147	9,349	12,116	8,452	10,198	14,221	
Tax Rate (%)	15.3	14.3	13.8	13.4	24.3	22.1	17.0	
<b>Profit after Tax</b>	<b>38,809</b>	<b>54,882</b>	<b>58,304</b>	<b>78,363</b>	<b>26,338</b>	<b>35,931</b>	<b>69,433</b>	
Change (%)	11.9	41.4	6.2	34.4	-66.4	36.4	93.2	
Margin (%)	24	20	21	26	10	12	20	
Less: Minority Interest	7375	9488	11145	8719	4722	6000	8000	
<b>Reported PAT</b>	<b>31,434</b>	<b>45,394</b>	<b>47,159</b>	<b>69,644</b>	<b>21,616</b>	<b>29,931</b>	<b>61,433</b>	
<b>Adjusted PAT (excl. Ex. Items)</b>	<b>52,813</b>	<b>47,415</b>	<b>47,069</b>	<b>62,890</b>	<b>32,362</b>	<b>42,075</b>	<b>61,433</b>	

Balance Sheet							(INR m)	
Y/E March	2014	2015	2016	2017	2018	2019E	2020E	
Equity Share Capital	2,071	2,406	2,407	2,399	2,399	2,399	2,399	
Total Reserves	183,178	253,826	327,418	363,997	378,606	398,712	450,320	
<b>Net Worth</b>	<b>185,249</b>	<b>256,232</b>	<b>329,825</b>	<b>366,397</b>	<b>381,006</b>	<b>401,111</b>	<b>452,719</b>	
Minority Interest	19,212	28,661	40,853	37,909	38,842	44,842	52,842	
Deferred Liabilities	-9110	-17516	-30462	-21780	-19748	-19748	-19748	
Total Loans	24,982	77,827	83,164	80,910	97,518	70,035	50,442	
<b>Capital Employed</b>	<b>220,333</b>	<b>345,203</b>	<b>423,379</b>	<b>463,435</b>	<b>497,617</b>	<b>496,239</b>	<b>536,254</b>	
Gross Block	63,886	130,369	123,033	133,994	155,630	180,630	210,630	
Less: Accum. Deprn.	28,904	60,617	47,201	49,041	64,040	80,540	97,540	
<b>Net Fixed Assets</b>	<b>34,982</b>	<b>69,752</b>	<b>75,831</b>	<b>84,953</b>	<b>91,590</b>	<b>100,090</b>	<b>113,090</b>	
Capital WIP	8,415	20,386	12,035	15,648	14,345	15,779	17,357	
Goodwill	33,191	57,073	92,611	104,165	107,243	107,243	107,243	
Investments	27,860	27,163	11,161	9,610	30,523	30,523	30,523	
<b>Curr. Assets</b>	<b>177,393</b>	<b>297,403</b>	<b>332,175</b>	<b>374,799</b>	<b>377,390</b>	<b>394,442</b>	<b>434,340</b>	
Inventory	31,230	56,680	64,225	68,328	68,807	66,884	71,316	
Account Receivables	22,004	53,123	67,757	72,026	78,153	52,463	59,995	
Cash and Bank Balance	75,902	109,980	131,817	151,408	99,294	143,959	164,974	
L & A and Others	48,257	77,619	68,377	83,036	131,136	131,136	138,055	
<b>Curr. Liability &amp; Prov.</b>	<b>61,509</b>	<b>126,574</b>	<b>100,434</b>	<b>125,739</b>	<b>123,473</b>	<b>151,837</b>	<b>166,298</b>	
Account Payables	15,887	59,198	51,741	73,469	68,332	74,689	79,638	
Provisions	45,622	67,376	48,693	52,270	55,141	77,148	86,660	
<b>Net Current Assets</b>	<b>115,884</b>	<b>170,828</b>	<b>231,742</b>	<b>249,060</b>	<b>253,916</b>	<b>242,605</b>	<b>268,042</b>	
<b>Appl. of Funds</b>	<b>220,333</b>	<b>345,203</b>	<b>423,379</b>	<b>463,435</b>	<b>497,617</b>	<b>496,239</b>	<b>536,254</b>	

E: MOSL Estimates

## Financials and Valuations

### Ratios

Y/E March	2014	2015	2016	2017	2018	2019E	2020E
<b>Reported EPS</b>	<b>13.1</b>	<b>18.9</b>	<b>19.6</b>	<b>28.9</b>	<b>9.0</b>	<b>12.4</b>	<b>25.5</b>
<b>Adjusted EPS</b>	<b>22.0</b>	<b>19.7</b>	<b>19.6</b>	<b>26.1</b>	<b>13.5</b>	<b>17.5</b>	<b>25.5</b>
Cash EPS	14.8	23.8	23.8	34.2	15.2	19.3	32.6
BV/Share	77.0	106.5	137.1	152.3	158.4	166.7	188.2
DPS	2.6	3.0	1.0	3.5	3.5	3.5	3.5
Payout (%)	18.7	15.4	4.8	12.5	37.3	27.3	14.2
<b>Valuation (x)</b>							
P/E		28.5	28.7	21.5	41.8	32.1	22.0
P/BV		5.3	4.1	3.7	3.5	3.4	3.0
EV/Sales		4.7	4.6	4.2	5.0	4.1	3.5
EV/EBITDA		16.7	16.2	14.5	25.4	19.0	13.5
Dividend Yield (%)		0.5	0.2	0.6	0.6	0.6	0.6
<b>Return Ratios (%)</b>							
RoE	31.5	21.5	16.1	18.1	8.7	10.8	14.4
RoCE	33.4	22.7	18.3	19.0	8.1	10.4	15.1
RoIC	55.5	37.8	26.2	23.4	8.7	11.6	19.0
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	4.8	5.2	3.8	3.8	3.0	3.2	3.3
Debtor (Days)	50	71	89	87	109	63	63
Creditor (Days)	209	321	291	330	336	321	321
Inventory (Days)	71	76	84	82	96	80	75
<b>Leverage Ratio</b>							
Debt/Equity (x)	0.2	0.3	0.3	0.2	0.3	0.2	0.1

### Cash Flow Statement

Y/E March	2014	2015	2016	2017	2018	2019E	2020E
OP/(Loss) bef. Tax	44,083	74,820	72,709	87,751	42,341	53,329	88,854
Int./Dividends Recd.	6,282	6,946	9,848	19,374	12,623	14,500	16,500
Direct Taxes Paid	-9,010	-17,553	-22,295	-3,434	-6,420	-10,198	-14,221
(Inc)/Dec in WC	-5,589	-20,865	-39,077	2,274	-56,971	55,977	-4,422
<b>CF from Operations</b>	<b>35,767</b>	<b>43,348</b>	<b>21,185</b>	<b>105,964</b>	<b>-8,427</b>	<b>113,608</b>	<b>86,710</b>
(inc)/dec in FA	-18,580	-82,570	-43,401	-36,936	-23,411	-26,434	-31,578
<b>Free Cash Flow</b>	<b>17,187</b>	<b>-39,223</b>	<b>-22,216</b>	<b>69,028</b>	<b>-31,838</b>	<b>87,173</b>	<b>55,132</b>
(Pur)/Sale of Invest.	-3,745	697	16,002	1,551	-20,913	0	0
<b>CF from investments</b>	<b>-22,324</b>	<b>-81,873</b>	<b>-27,399</b>	<b>-35,385</b>	<b>-44,324</b>	<b>-26,434</b>	<b>-31,578</b>
Change in network	6,674	33,994	30,296	-34,910	-971	0	0
(Inc)/Dec in Debt	22,910	52,845	5,337	-2,254	16,608	-27,483	-19,593
Interest Paid	-442	-5,790	-4,769	-3,998	-5,176	-5,200	-4,700
Dividend Paid	-7,270	-8,445	-2,816	-9,825	-9,825	-9,825	-9,825
<b>CF from Fin. Activity</b>	<b>21,872</b>	<b>72,605</b>	<b>28,049</b>	<b>-50,987</b>	<b>636</b>	<b>-42,508</b>	<b>-34,118</b>
<b>Inc/Dec of Cash</b>	<b>35,315</b>	<b>34,079</b>	<b>21,836</b>	<b>19,592</b>	<b>-52,115</b>	<b>44,665</b>	<b>21,015</b>
Add: Beginning Balance	40,587	75,902	109,980	131,817	151,408	99,294	143,959
<b>Closing Balance</b>	<b>75,902</b>	<b>109,981</b>	<b>131,816</b>	<b>151,408</b>	<b>99,294</b>	<b>143,959</b>	<b>164,974</b>

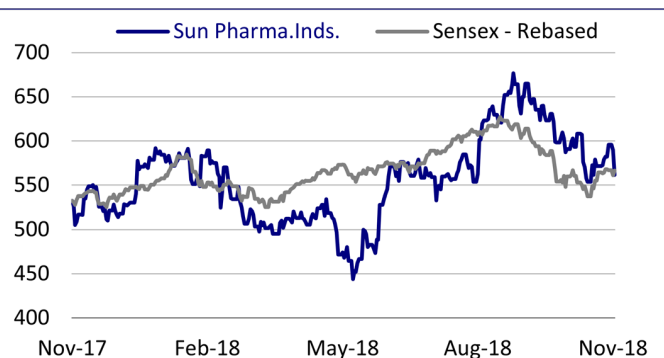


## Corporate profile

### Company description

Sun Pharma is among the largest players in the domestic formulations market and the most profitable one. It makes and markets specialty medicines and APIs for chronic therapy areas such as cardiology, psychiatry, neurology, etc. Sun has forayed into regulated markets by acquiring majority stake in CaracoPharma and has strengthened its presence in US by recent acquisition of Taro.

Exhibit 1: Sensex rebased



Source: MOSL/Bloomberg

Exhibit 2: Shareholding pattern (%)

	Sep-18	Jun-18	Sep-17
Promoter	54.4	54.4	54.4
DII	16.5	16.6	13.9
FII	16.8	16.4	18.2
Others	12.3	12.6	13.6

Note: FII Includes depository receipts

Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
LIC of India	6.0
ICICI Prudential Value Discovery Fund and various Fund Accounts	3.0
Lakshdeep Investments & Finance (P) Ltd.	1.5
Government Of Singapore	1.4
SBI-ETF Nifty 50 and various Fund Accounts	1.3

Source: Capitaline

Exhibit 4: Top management

Name	Designation
Israel Makov	Chairman
Dilip S Shanghvi	Managing Director
Sunil R Ajmera	Company Secretary

Source: Capitaline

Exhibit 5: Directors

Name	Name
Ashwin Dani*	Kalyanasundaram Subramanian
Keki M Mistry*	Sailesh T Desai
Rekha Sethi*	Sudhir V Valia
S Mohanchand Dadha*	Gautam Doshi
Vivek Chaand Sehgal*	

\*Independent

Exhibit 6: Auditors

Name	Type
Kailash Sankhlecha & Associates	Cost Auditor
C J Goswami & Associates	Secretarial Audit
S R B C & Co LLP	Statutory

Source: Capitaline

Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY19	17.5	18.0	-2.7
FY20	25.5	24.1	5.8

Source: Bloomberg

## NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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