

INDUSTRY: PHARMACEUTICALS
CAPITALIZATION: LARGE-CAP
FAIR VALUE¹: INR 647.04

THE COMPANY

Sun Pharmaceuticals Industries Ltd. is an Indian multinational pharmaceutical company that manufactures and sells pharmaceutical formulations and active pharmaceutical ingredients (APIS) primarily in India and US. The 2014 acquisition of Ranbaxy has made the company the largest pharmaceutical company in India, the largest Indian pharmaceutical company in the US and the fifth largest speciality generic company globally. Over 72% of Sun Pharma sales are from market outside India, primarily in the US which accounts for over 50% of its turnover. For FY18, Sun Pharma declared a final dividend of INR 2 per share, a decrease from their previous year's dividend of INR 3 per share.

THE FUNDAMENTAL WEB

VALUATION	P/E: 65.18	 D-STREET D-SCORE^X: 3.92	DIV. YIELD: 0.31%	RETURN
	P/B: 7.120		CAPM RETURN ² : 10.94%	
	EV/EBITDA: 24.81		5 YEAR CAGR: 12.13%	
	UNDER-VALUED	FAIRLY-VALUED	OVER-VALUED	

DEBT LEVELS AND MARGIN ANALYSIS

SOLVENCY	MARGIN
Debt/ Equity: 0.585	EBITDA Margin: 24.34%
Assets/Liabilities: 2.88	Return on Equity: 6.92%
Interest Coverage Ratio: 9.55 Times	Net Profit Margin: 9.95%

FUTURE

- ❖ Long term strategy to develop complex generics and focus on high entry barrier segments to drive sustainable and profitable growth.
- ❖ Targets delivery of USD 300 Million synergy benefits from Ranbaxy acquisition by FY 19.
- ❖ Expectations from launching of ODOMZO in 2018 in US, a branded Oncology product from NOVARTIS, has global marketing rights for it.
- ❖ One of the few companies in world that has setup completely integrated manufacturing capability for the production of Oncology and steroidal drugs.
- ❖ Potential growth market includes Ukraine, Poland, Kazakhstan, Thailand and UAE.

RATING:
UNDER-WEIGHT

Disclaimer:

- The ratings and call are a result of rigorous analysis of D-Street SRCC. We (D-Street SRCC) are not responsible for any repercussions of investment decisions taken on the basis of this report as prices might move oppositely due to market sentiments. This report is a work of extensive research and effort, and the calls and the ratings given in this report are the final product of our research, however we do not advocate for the extreme swings that might happen in the real market due to unforeseen factors. The reader should clearly understand that such unforeseen circumstances can moderately or drastically affect the company so covered in this report.
- "D-Score" and this "Report" are the original works of D-Street, Shri Ram College of Commerce. Any plagiarism will be condemned and dealt accordingly.

NOTES

1. Courtesy: Morningstar.in
2. Capital Asset Pricing Model is used to determine the expected return on any security considering the risk that accompanies it.
 - CAPM: $R_f + b(R_m - R_f)$
 - The yield on the 10-year government bond maturing in 2028 has been taken as the risk free-rate (R_f) while the expected market return (R_m) is taken as 13% considering the 5-year of CAGR of Nifty 50 at 12.68%.
 - Beta values have been calculated by D-Street comparing the returns of the benchmark (Nifty 50) with the company over a period of 5 years.
3. The following formulas have been used for calculating the ratios:
 - P/E Ratio: Price of the stock / Earnings Per share (as per the latest result)
 - P/B Ratio: Price of the stock / Book Value per share (as per the latest result)
 - EV/EBITDA: Enterprise Value / Earnings before interest, tax, depreciation and amortization
 - Enterprise Value: Market capitalisation of equity and preferred shares + market value of debt + minority interest - cash and cash equivalents
 - Dividend yield: Annual dividend rate / price of the stock (as per the latest result)
 - The price of the stock has been taken as on the date of the latest result declaration.
 - Debt/Equity: Non-current liabilities / equity
 - Assets/Liabilities: Total assets / total liabilities
 - Interest coverage ratio: Earnings before interest and tax / Interest expenses
 - EBITDA Margin: Earnings before interest, tax, depreciation and amortization / Revenue from operations
 - Return on Equity: Net Profit / Equity
 - Net profit Margin: Net Profit / Revenue from operations
4. Our ratings are based on the value of D-Score.
5. Whether a security is “Under-valued”, “Fairly-valued” or “Over-valued” is determined by its deviation from fair value, P/E, P/B and EV/EBITDA ratio.

X. D-Score is the crux of this report and is used by us (D-Street, Shri Ram College of Commerce) to determine the rating for a particular stock. D-Score's value is determined by the overall score each company has achieved in Valuation, Return, Solvency and Margin. Thus, the value of the D-Score reflects the values of 13 multiples which we have used in this report thereby giving a strong view/opinion on the company we have initiated coverage on.

However, it is worth noting that a strong view and call are merely opinions in front of the larger market where a plethora of forces operate. This report in no way “guarantees” anything.

D-Street Pharmaceuticals Coverage Team

ABHISHEK SANCHETI

+91-6290352841

abhisheksancheti@gmail.com

AYUSH BANSAL

+91- 9315321501

bansallayushh@gmail.com

CHANDNI GOEL

+91-8433257772

chandnigoel63@gmail.com

MADHAV MALOO

+91-7737198020

maloo.madhav007@gmail.com

PULKIT GARG

+91-9667250763

pulkitgarg391@gmail.com