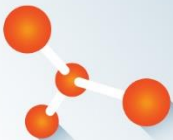




Sun Pharmaceuticals Ltd



Sun Pharmaceuticals Ltd.

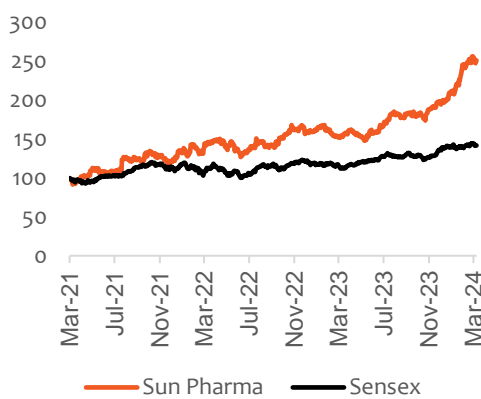
Global Specialty sales to get a boost from addition of Australian geography

CMP*	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 1,548	INR 1,827	18.0%	37,13,931	BUY	Pharma

MARKET DATA

Shares O/S (Mn)	2,399
Mkt Cap (INR Mn)	37,13,931
52 Wk H/L (INR)	1,627/ 922
Volume Avg (3m K)	2,260
Face Value (INR)	1
Bloomberg Code	SUNP IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	72,012
NIFTY	21,817

SHARE HOLDING PATTERN (%)

Particulars	Dec-23	Sep-23	Jun-23
Promoters	54.5	54.5	54.5
FII	17.1	16.8	16.5
DII	19.5	19.7	19.7
Others	8.9	9.0	9.3
Total	100.0	100.0	100.0

Sun Pharma Ltd. has announced that the Australian Therapeutic Goods Administration (TGA) has granted regulatory approval for Winlevi (clascoterone cream 1%). Winlevi is a topical treatment of acne Vulgaris in patients of 12 years of age and older. The approval from Australian health authority enables Sun Pharma to exclusively sell the product in Australia from June 24 (Q1FY25) now, besides in the US and Canada, since FY22. The company has exclusive rights from Cassiopeia SpA to develop and commercialize WINLEVI in the US, Japan, Australia, New Zealand, Brazil, Mexico and Russia.

Winlevi is one of the prominent products besides Ilumya (plaque psoriasis), Cequa (dry eye), Levulan (actinic keratoses), Absorica (severe recalcitrant nodular acne), Odomzo (basal cell carcinoma), Bromsite (postoperative inflammation), Xelpros (ophthalmic), Yonsa (prostate cancer), and Sezaby (neonatal seizures) for the company, which drives growth in sales of the global specialty portfolio.

Global Specialty sales to get a boost from addition of Australian marketing rights: The company's ensuing sales of Winlevi in additional geographies such as Australia since Q1FY25 can boost the growth for Global Specialty sales (19.2% of sales in Q3FY24 vs. 11.1% in Q2FY21) further. As per Statista, the skin treatment market in Australia and OCEANIA is expected to grow at 6.0% CAGR during FY24-FY28 (vs. US market size of USD 4.14 Bn vs. USD 19.39 Bn in for the World in 2024) to USD 610 Mn.

Global specialty sales grew by 26.1% YoY to USD 296 Mn for Q3FY24 for Sun Pharma. This includes a milestone payment from Almiral of USD 20 Mn, received in Q3FY24. If the milestone payment is excluded the growth will be 24.2%. Sun Pharma out-licensed Ilumetri (Ilumya) in Europe to Almiral in 2016. The US Food and Drug Administration (FDA) has authorized Winlevi as a new medication having a distinct mode of action for the topical treatment of acne in individuals of 12 years of age and older. As the first new mode of action for acne approved by the USFDA since 1982, it is a first-in-class topical androgen receptor inhibitor that addresses the androgen hormone component of acne. As of June 2023, IQVIA MAT reports that over 15,000 U.S. health care providers, or 88% of all dermatological professionals prescribed Winlevi, making it the most prescribed branded topical acne medication in the US.

We expect the Sun Pharma's global specialty segment sales growth to get a boost from the recent additional marketing approval for Winlevi in Australia. We therefore increase Sun Pharma's sales and net income estimates to 10.9% and 16.0% CAGR, respectively from 10.6% and 15.3% CAGR, respectively. We also increase the valuation multiple by 10% to 32x on FY26E EPS. The company has been seeing steady growth in revenue and net income over the last few quarters on the back of strong growth witnessed in specialty revenue, which now corresponds to 19.2% of overall sales as of Q3FY24 vs. 16.5% it was in Q3FY23 and 16.4% it was in Q2FY24 and market outperforming growth in IPM. The stock is currently trading at 39.8x/32.5x/27.1x of our estimated FY24E/FY25E/FY26E EPS. We assign a P/E multiple of 32.0x (earlier 29.0x) on FY26E EPS of INR 57.1 to arrive at a Target Price (TP) of INR 1,827 (earlier TP INR 1,627) and maintain BUY on it, as the upside potential is 18.2% from its CMP of INR 1,546.

INR Millions	FY22	FY23	FY24E	FY25E	FY26E
Revenue	3,86,545	4,38,857	4,87,159	5,38,947	5,98,741
EBITDA	1,02,438	1,17,729	1,28,109	1,51,756	1,80,319
Adj PAT	76,856	87,711	93,322	1,14,219	1,36,964
Adj. EPS (INR)	32.0	36.6	38.9	47.6	57.1
EBITDA Margin	26.5%	26.8%	26.3%	28.2%	30.1%
Adj. NPM	19.9%	20.0%	19.2%	21.2%	22.9%

*Based on today's closing

Source: Deven Choksey Research

Sun Pharmaceuticals Ltd.

KEY FINANCIALS

INR Millions	FY22	FY23	FY24E	FY25E	FY26E
Revenues	3,86,545	4,38,857	4,87,159	5,38,947	5,98,741
COGS	1,03,515	1,06,622	1,09,796	1,20,226	1,33,187
Gross profit	2,83,030	3,32,235	3,77,363	4,18,722	4,65,554
Employee cost	73,008	82,960	95,701	1,03,336	1,11,600
Other expenses	1,07,584	1,31,546	1,53,552	1,63,630	1,73,635
EBITDA	1,02,438	1,17,729	1,28,109	1,51,756	1,80,319
EBITDA Margin	26.5%	26.8%	26.3%	28.2%	30.1%
Depreciation & amortization	21,437	25,294	25,332	25,331	28,141
EBIT	81,000	92,435	1,02,777	1,26,426	1,52,179
Interest expense	1,274	1,720	1,899	1,575	1,575
Other income	9,215	6,345	9,948	10,892	12,100
Exceptional Items	44,129	2,976	3,927	0	0
PBT	44,813	94,084	1,06,900	1,35,742	1,62,704
Tax	10,755	8,476	16,522	19,559	23,444
Share of profit/(Loss) of associates	-165	-479	-381	-300	-300
Minority interest	1,166	394	603	1,665	1,997
PAT	32,727	84,736	89,395	1,14,219	1,36,964
Adj. PAT	76,856	87,711	93,322	1,14,219	1,36,964
EPS (INR)	13.6	35.3	37.3	47.6	57.1
Adj. EPS (INR)	32.0	36.6	38.9	47.6	57.1

Source: Company, DevenChoksey Research

INR Millions	FY22E	FY23	FY24E	FY25E	FY26E
Net Cash Generated From Operations	89,845	49,593	91,614	1,21,243	1,44,443
Net Cash Flow from/(used in) Investing Activities	(57,247)	(79,437)	(26,058)	(31,309)	(35,031)
Net Cash Flow from Financing Activities	(51,935)	23,761	(87,744)	(57,986)	(66,821)
Net Inc/Dec in cash equivalents	(19,337)	(6,083)	(22,188)	31,948	42,591
Opening Balance	62,730	45,083	46,237	24,049	55,997
Adj.	1,689	7,238	0	0	0
Closing Balance Cash and Cash Equivalents	45,083	46,237	24,049	55,997	98,587

Source: Company, DevenChoksey Research

Key Ratio	FY22E	FY23	FY24E	FY25E	FY26E
EBITDA Margin (%)	26.5%	26.8%	26.3%	28.2%	30.1%
Tax rate (%)	24.0%	9.0%	15.5%	14.4%	14.4%
Net Profit Margin (%)	19.9%	20.0%	19.2%	21.2%	22.9%
RoE (%)	15.1%	14.8%	14.6%	16.3%	0.0%
RoCE (%)	17.3%	15.0%	17.1%	19.1%	0.0%
Current Ratio (x)	2.04	2.00	2.39	2.56	0.00
EPS (INR)	13.6	35.3	37.3	47.6	57.1
Adj EPS (INR)	32.0	36.6	38.9	47.6	57.1

Source: Company, DevenChoksey Research

Sun Pharmaceuticals Ltd.

KEY FINANCIALS

INR Millions	FY22	FY23	FY24E	FY25E	FY26E
Non-current assets					
Property, plant and equipment	1,03,714	1,03,904	1,12,440	1,23,501	1,35,789
Capital work-in-progress	7,975	9,634	9,634	9,634	9,634
Goodwill (Net)	65,495	87,127	87,127	87,127	87,127
Other intangible assets	55,389	53,170	42,453	31,674	19,699
Intangible assets under development	4,893	40,098	40,098	40,098	40,098
Investments in associates	2,321	3,532	3,152	2,852	2,553
Investments in joint ventures	340	362	362	362	362
Financial assets					
Investments	49,486	50,681	53,588	59,284	65,861
Loans	7	6	7	7	8
Other financial assets	1,259	1,653	1,930	2,135	2,372
Deferred tax assets (Net)	28,967	31,642	40,345	44,634	49,586
Income tax assets (Net)	25,115	23,070	25,609	28,331	31,475
Other non-current assets	2,888	3,724	4,134	4,573	5,080
Total non-current assets	3,47,849	4,08,603	4,20,877	4,34,212	4,49,643
Current assets					
Inventories	89,968	1,05,131	1,16,702	1,29,108	1,43,432
Financial assets					
Investments	76,339	93,726	93,726	93,726	93,726
Trade receivables	1,05,929	1,14,385	1,26,975	1,40,473	1,56,058
Cash and cash equivalents	45,083	46,237	24,049	55,997	98,587
Bank balances other than above	5,251	11,466	11,466	11,466	11,466
Loans	1,700	413	413	413	413
Other financial assets	7,025	7,645	8,819	9,757	10,839
Other current assets	18,856	19,617	21,776	24,090	26,763
Assets classified as held for sale	0	208	208	208	208
Total current assets	3,50,150	3,98,827	4,04,133	4,65,237	5,41,492
TOTAL ASSETS	6,97,999	8,07,430	8,25,010	8,99,450	9,91,135
EQUITY AND LIABILITIES					
Equity					
Equity share capital	2,399	2,399	2,399	2,399	2,399
Other equity	4,77,713	5,57,555	6,04,363	6,64,171	7,35,888
Equity attributable to the equity shareholders	4,80,112	5,59,954	6,06,763	6,66,570	7,38,287
Non-controlling interests	30,549	33,201	33,803	35,468	37,465
Total equity	5,10,661	5,93,155	6,40,566	7,02,039	7,75,752
Liabilities					
Non-current liabilities					
Financial liabilities					
Borrowings	2,299	0	0	0	0
Other financial liabilities	2,518	5,599	5,599	5,599	5,599
Provisions	3,691	3,429	3,807	4,211	4,678
Deferred tax liabilities (Net)	319	317	317	317	317
Other non-current liabilities	6,506	5,866	5,866	5,866	5,866
Total non-current liabilities	15,332	15,211	15,589	15,993	16,460
Current liabilities					
Financial liabilities					
Borrowings	8,086	63,260	20,000	18,000	18,000
Trade payables	44,793	56,815	58,507	64,064	70,971
Other financial liabilities	18,833	15,931	16,469	18,034	19,978
Other current liabilities	7,034	6,427	7,461	8,169	9,050
Provisions	91,478	53,544	63,331	70,063	77,836
Current tax liabilities (Net)	1,781	3,087	3,087	3,087	3,087
Total current liabilities	1,72,006	1,99,064	1,68,855	1,81,418	1,98,922
Total liabilities	1,87,338	2,14,275	1,84,443	1,97,411	2,15,383
TOTAL EQUITY AND LIABILITIES	6,97,999	8,07,430	8,25,010	8,99,450	9,91,135

Source: Company, DevenChoksey Research

Sun Pharmaceuticals Ltd.

Sun Pharmaceutical Industries Ltd.			
Date	CMP (INR)	TP (INR)	Recommendation
19-Mar-24	1548	1,827	BUY
02-Feb-24	1,408	1,627	BUY
17-Nov-23	1,190	1,300	ACCUMULATE
25-Aug-23	1,118	1,256	ACCUMULATE
31-May-23	960	1,172	BUY
03-Nov-22	1,052	1,229	BUY
01-Aug-23	919	1,114	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

ANALYST CERTIFICATION:

I, **Karan Kamdar** (CA), Research Analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & Conditions and other disclosures:

DRChoksey FinServ Private Limited (hereinafter referred to as DCFPL) is a registered member of SEBI as a Research Entity vide Registration No. INH000011246 under SEBI (Research Analyst) Regulations, 2014, Portfolio Managers Entity vide Registration No. INP000007906 under SEBI (PORTFOLIO MANAGERS) Regulations, 2020 & Investment Adviser Entity vide Registration No. INA000017903 under SEBI (INVESTMENT ADVISERS) REGULATIONS, 2013.

The information and opinions in this report have been prepared by DCFPL and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of DCFPL. While we would endeavor to update the information herein on a reasonable basis, DCFPL is not under any obligation to update the information. Also, there may be regulatory, compliance or other reasons that may prevent DCFPL from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or DCFPL policies, in circumstances where DCFPL might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. DCFPL will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. DCFPL accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Our employees in sales and marketing team, dealers and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed herein, in reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

We submit that no material disciplinary action has been taken on DCFPL and its associates (Group Companies) by any Regulatory Authority impacting Equity Research Analysis activities.

DCFPL prohibits its associate, analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analyst covers.

DCFPL or its associates (Group Companies) collectively or its research analyst, or relatives do not hold any financial interest/beneficial ownership of more than 1% (at the end of the month immediately preceding the date of publication of the research report) in the company covered by Analyst, and has not been engaged in market making activity of the company covered by research analyst.

It is confirmed that, I, **Karan Kamdar**, Research Analyst of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific brokerage service transactions.

DCFPL or its Associates (Group Companies) have not managed or co-managed public offering of securities for the subject company in the past twelve months.

DCFPL or its associates (Group Companies) collectively or its research analyst, or relatives might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of brokerage services or specific transaction or for products and services other than brokerage services.

DCFPL or its associates (Group Companies) collectively or its research analyst, or relatives might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report other than investment banking or merchant banking or brokerage services from the subject company

DCFPL encourages the practice of giving independent opinion in research report preparation by the analyst and thus strives to minimize the conflict in preparation of research report. DCFPL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither DCFPL nor Research Analysts his associate or his relative, have any material conflict of interest at the time of publication of this report.

It is confirmed that, **Karan Kamdar**, Research Analyst do not serve as an officer, director or employee of the companies mentioned in the report.

DCFPL or its associates (Group Companies) or its research analyst has may been engaged in market making activity for the subject company.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other Jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject DCFPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform them of and to observe such restriction.

The securities quoted are for illustration only and are not recommendatory

Please send your feedback to research.retail@devenchoksey.com

DRChoksey FinServ Private Limited

CIN Number -U67100MH2020PTC352816

Registered Office and Corporate Office:

5th Floor Abhishek Building, Behind Monginis Cake Factory, Off New Link Road, Andheri West, Mumbai-400058