

July 16, 2019

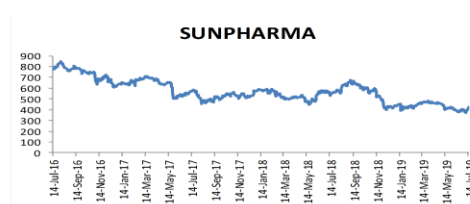
Company	Sector	CMP	Recommendation	Target	Potential Upside
Sun Pharmaceutical Industries Ltd.	Pharmaceuticals	424	BUY	465	10%

Key Stock Data

BSE Script Code	SUNPHARMA
NSE Script Code	SUNPHARMA
No. of shares	239
FV (Rs.)	1
MCAP (Rs.)	1,01,345 Crs
MCAP (\$)	1,447 Crs
52 Week High	Rs.678
52 week Low	Rs. 350
Time Frame	6 months

Shareholding Pattern

Promoters	54.38%
DII's	17.11%
FII's	15.54%
Others	12.97%

3 years Price Chart

Source: All above data from BSE Website and Capital Line

Sun Pharmaceutical Industries Ltd. (SUNPHARMA) is an Indian multinational pharmaceutical company headquartered in Mumbai, Maharashtra that manufactures and sells pharmaceutical formulations and active pharmaceutical ingredients (APIs) primarily in India and the United States. The company offers formulations in various therapeutic areas, such as cardiology, psychiatry, neurology, gastroenterology and diabetology.

Investments Rationale**1. Launch of drug in US market.**

SUNPHARMA has recently launched a new drug named 'Ezallor' sprinkle capsules for treatment of three types of elevated lipid disorders in people who have difficulty swallowing, a problem that is estimated to affect approximately 30- 35% of long-term care residents. With the introduction of Ezallor Sprinkle, Sun Pharma continues our commitment of providing a portfolio of alternative formulation products to address the needs of people who have difficulty swallowing, which is especially prevalent among residents in long-term care facilities

2. Earnings upgrade!

SUNPHARMA has missed on the earnings front for quite some time but with the launch of new drug, we expect the earnings to grow at a CAGRs of 15% at top-line level and 20% at bottom-line level for the next two years primarily driven by steady growth in the US, India.

Outlook & Valuations

SUNPHARMA through one of its wholly owned subsidiaries has entered into a licensing agreement with a subsidiary of China Medical System Holdings for the development and commercialization of its dermatology products, therefore would like to recommend a BUY on the stock. The stock is trading at mere 23x on FY21E PE chiefly due to steep correction and now with the launch of new drug, we would like to allot a PE multiple of 22x on FY21E to arrive at a target price of 465.

Key Financial

Particulars	FY17 A	FY18 A	FY19 A	Amt in Crs	
				FY20 E	FY21 E
Revenue	31578	26489	29065	33424	38438
EBITDA	10712	6446	7333	8690	10378
PAT	7836	2633	3209	4011	4997
EPS	32.65	10.97	13.37	16.71	20.82
PE	13.16	39.19	32.15	25.79	20.65

Source : BSE Website and company research

Analyst Stock Rating	
Ratings	Expected absolute returns over 6 months
BUY	>10%
HOLD	5-10%
SELL	<5%

Note: Our target price is within 6 months perspective. Returns stated in the rating scale are our internal benchmark.

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