

Equity Research Report

Sun Pharmaceuticals Industries Ltd

NSE: SUNPHARMA | BSE: 524715



About the Company

Sun Pharmaceutical Industries Ltd. (Sun Pharma) is the 4th largest speciality generic pharmaceutical company in the world with global revenues of over US\$ 5.1 billion. Supported by more than 40 manufacturing facilities, SPIL provides high-quality, affordable medicines trusted by healthcare professionals and patients in more than 100 countries across the globe. Dilip Shanghvi founded Sun Pharmaceuticals in 1983 in Vapi, Gujarat, with five products to treat psychiatric ailments. Cardiology products were introduced in 1987, followed by gastroenterology products in 1989.

Over 72% of Sun Pharma's sales are from markets outside India, primarily in the United States. The US is the single largest market, accounting for about 30% of the company's turnover in all formulations or finished dosage forms, which accounts for 93% of the turnover. In the United States, the company markets a large basket of generics, with a strong pipeline awaiting approval from the U.S. Food and Drug Administration (FDA).

Three Pillars of Sun Pharma

1. Diversified Specialty and Generics Portfolio

Manufactures and markets pharmaceutical formulations, Covering a broad spectrum of Chronic and Acute therapies. Every year, Sun Pharma sells over 30 billion doses of Covering neuro-psychiatry, cardiology, gastroenterology, anti-infectives, diabetology, oncology, ophthalmology, dermatology, urology, nephrology and respiratory, among others.

2. Innovation

Investments of up to 7-8% of its global revenues into R&D Annually. The R&D team comprises over 2,700 people. Dedicated teams in formulations, process chemistry, and analytical development.

3. Global Footprint

Manufacturing is across 44 global locations in India, the US, Asia, Africa, Australia and Europe.

Recommendation	:HOLD
CMP(Rs)	:1228.0*(as on 1/12/2023)
Target Price	:1398.0

Share Data (as on 01/12/2023)

NSE Code	:SUNPHARMA
52 Week (H/L)(Rs)	:1241.85/1225.00
Market Cap (Rs.Cr)	:2,95,418
Dividend Yield(%)	:0.93
Beta	:0.41
P/E	:34.56
Sector P/E	:47.15
Face Value	:1

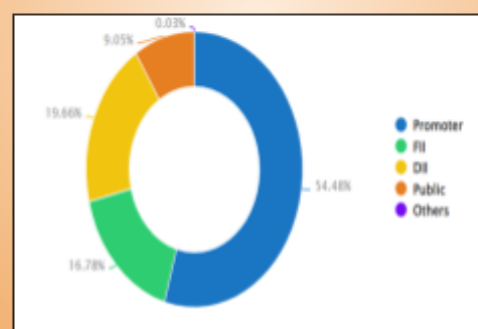
Relative Stock Performance



Absolute Returns

YTD	:2.99%
1 Year	:17.66%
3 Years	:128.28%

Shareholding Pattern (as of 1/12/2023)



Report made by:

- Chandy Alex Koshy
- Shlok Sudhir Kamat
- Tanmay Rakheja

Executive Summary

This equity research report provides a comprehensive analysis of Sun Pharmaceutical Industries Ltd. (Sun Pharma), a leading global pharmaceutical company. The report evaluates Sun Pharma's financial performance, industry position, competitive landscape, and potential growth drivers to assist investors in making informed decisions.

Company Profile

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Financial Performance

Sun Pharma demonstrated strong performance across its global operations with a consolidated topline growth of 12.6% compared to FY22. Business-wise, the topline growth was primarily led by the US market with 19% Y-o-Y growth, followed by emerging markets with 17.1% Y-o-Y growth. India's business also demonstrated a 6.6% growth in revenue over the past year, and the Rest of the World's revenue witnessed a steady growth compared to the previous year.

The Company's EBITDA for FY23 witnessed a growth of 12% compared to last year, with an EBITDA margin of 26.5%. Adjusted net profit for the year grew by 12.8% Y-o-Y, demonstrating profitable growth for FY23.

Business-Wise Review

US Business:

Sun's US business comprises sales of Specialty and Generic medicines. Over the years, Sun Pharma has solidified its position as a major player in the US generics market. The company has emerged as the 10th largest generic pharmaceutical company in the US and is ranked 2nd by prescriptions in the US dermatology market. In addition, the Company has been continuously expanding its footprint in the speciality segment, focusing on dermatology, ophthalmology, and oncology. In FY23, the US business contributed 31% to the Company's consolidated revenues.

India Branded Formulations Business:

Sun Pharma is India's largest pharmaceutical company, with an 8.3% market share and a strong position in India's chronic and acute segments. The Company offers a comprehensive product portfolio across various therapeutic segments, including neuropsychiatry, cardiology, diabetes, gastroenterology, pain/analgesics, gynaecology, ophthalmology, urology, dermatology, respiratory, anti-infectives and other segments. Sun Pharma has one of the largest sales forces in the country, coupled with a strong distribution and geographical reach. It enjoys strong brand equity among the medical fraternity. Revenue from the India business grew by 6.6% to ₹ 136,031 Million, driven by growth across most of the Company's therapies.

While the Company continues to launch a slew of new products in India, developed through its in-house R&D efforts, it is also leveraging its strengths in India to position itself as a partner of choice for in-licensing of latest-generation innovative products for patients in India.

Emerging Markets

Sun Pharma is one of the largest Indian pharmaceutical companies operating in Emerging Markets with a presence in ~80 countries. The Company has local manufacturing facilities in Bangladesh, South Africa, Malaysia, Romania, Egypt, Nigeria, and Russia, giving it flexibility to serve these markets. Emerging markets accounted for 18% of the consolidated revenues for FY23. Revenues from Emerging Markets grew by 17.1% Y-o-Y to ₹ 78,977 Million, driven by growth across multiple markets.

Rest of World (RoW)

Sun Pharma is one of the leading Indian pharmaceutical companies in Western Europe, Canada, Japan, Australia and New Zealand (ANZ). These markets have a high penetration of modern medicines, mainly driven by government-administered healthcare or by significant private insurance coverage for pharmaceutical products. Most of these markets have similar characteristics, such as an ageing population, rising rates of chronic illnesses and lifestyle diseases, and government efforts to reduce healthcare spending. Revenue from RoW markets increased by 10.8% to ₹ 60,426 Million

Sun Pharma and Cassopeia agreed to expand the License and Supply Agreements for WINLEVI cream 1% to include more countries such as Japan, Australia, New Zealand, Brazil, Mexico, and Russia. In 2021, they had already signed agreements for the US and Canadian markets, and Sun Pharma launched WINLEVI in the US market in November 2021. Sun Pharma will have exclusive rights to develop and sell WINLEVI in the newly added countries, while Cosmo is the only supplier of the product.

Active Pharmaceutical Ingredient (API)

Sun Pharma prioritises the API business as it enables strong backward integration and reduces its dependence on third-party suppliers. Over the years, the Company has developed many APIs that cater to captive requirements and also help it supply to large generics manufacturers and innovator companies. The Company has 14 API facilities which support its formulation business. Revenue from the API business increased by 7.5% to ₹ 19,724 Million, mainly due to higher sales recorded in India

Competitive Positioning

Sun Pharma has a plethora of strengths under its belt, which gives it a competitive advantage over its peers. Strong growth rates in emerging markets such as South Africa, Bangladesh, and Romania, to list a few, enable a strong prospect for future growth in the industry. It has declared itself as an expert in relatively complex generic pharmaceuticals, which its competitors do not currently own. The company's increasing expenditure in the Research and Development sector provides a lucrative opportunity to develop new products on a regular basis, such as the recently launched Pantoprazole and Eloxatin in the US market, which have low competition in the industry. Sun Pharma has been successful in acquiring business to diversify its portfolio and expand its operations. It successfully acquired Taro Pharmaceuticals, which has further consolidated Sun Pharma's position in the Indian pharmaceutical industry. Ultimately, over the years, Sun Pharma has made its name and derived its reputation in the global pharmaceutical market. It has a strong brand presence in India and the US markets, thereby making it an industry leader.

Growth Drivers

Growth in the pharmaceutical industry in developed markets is expected to be led by the introduction of new drugs. Speciality medicines are forecast to account for a significant portion, exceeding 55% of total spending in developed markets in 2027. However, pharmaceuticals in developed markets face challenges such as biosimilar competition and an increasing number of patent expiries. Despite these challenges, the increasing adoption of speciality medicines is expected to persist, particularly in oncology and immunology.

Key Trends

- **Speciality Medicines:** Specialty medicines that treat chronic, complex, and rare diseases have been increasing as a share of spending in higher-income countries. They are expected to be 43% of global spending by 2027. Pharmerging countries have lagged behind in the usage of Specialty medicines mainly due to higher prices. Specialty medicines comprised 16% of the Pharmerging country's drug spending in 2022, which is expected to be unchanged as a share of spending in 2027.
- **Key Therapy Areas:** The therapy areas with the highest spending forecast in 2027 are Oncology, Immunology, and Diabetes, followed by Cardiovascular System. Oncology is expected to grow 13–16% CAGR through to 2027 as novel treatments will continue to be launched in this category. Immunology is expected to grow relatively slower in the range of 3-6% due to the price erosion driven by the launch of biosimilars. With nearly US\$ 168 Billion in revenues by 2027, Diabetes is expected to be the third-largest therapy area globally, with growth estimated to be 3–6% over the next five years. Most other therapy areas are expected to grow at lower growth rates through 2027, with the exception of Obesity. The availability of new, highly effective treatments and wider global usage is expected to enable Obesity spending to grow by 35-38%.
- **Per Capita Consumption:** Per capita use of medicines correlates directly with GDP. Countries such as Japan and those in Western Europe have more than double the per capita medicine use of Pharmerging markets.

Growth Drivers

- One of the key growth drivers for the pharmaceutical industry is the increasing life expectancy. With declining fertility rates and improved healthcare, the proportion of elderly in the population is increasing. This demographic shift drives demand for healthcare solutions that address age-related health issues and chronic ailments.
- Another significant factor driving increased pharmaceutical spending involves people's lifestyles. Sedentary lifestyles, unhealthy dietary habits, hectic and stressful work habits, decreasing sleep quality and exposure to environmental factors are leading to a higher incidence of chronic and lifestyle-related diseases. This shift is driving demand for relevant medical and pharmaceutical solutions.
- The middle-class population and per capita income are expanding, particularly in emerging markets. As purchasing power and awareness increases, patients can afford newer and more expensive treatments. This phenomenon has led to increasing spend on healthcare solutions, including pharmaceutical products.
- The penetration of health insurance is expected to increase with government-sponsored initiatives and programmes, making healthcare more affordable and accessible to the population. This will drive demand for healthcare solutions. Additionally, improvements in healthcare infrastructure, including hospitals and clinics, will also drive demand for pharmaceutical products.
- Major technological shifts have encouraged the rapid adoption of advanced analytics in the pharmaceutical industry. Advanced analytics provide insights into customer behaviour, help in clinical trial design, and optimise the supply chain, driving growth and productivity across the pharma value chain. The use of digital technologies such as telemedicine and artificial intelligence (AI) enables remote diagnosis, personalised medicine, and drug discovery. These digital technologies and advanced analytics are expected to play a significant role in increasing the adoption of modern medicine.

Key Risk

- The current geopolitical issues give rise to uncertainties related to supply chains, inflation and overall economic growth
- Potential fresh outbreaks of the pandemic across the world and subsequent disruption in economic activities may impact economic growth across countries and could indirectly impact pharmaceutical consumption
- Challenging US generics pricing environment, driven by customer consolidation and higher competitive intensity on account of the faster pace of generic drug approvals by the USFDA
- Significant volatility in the forex market, especially for emerging market currencies, may adversely impact reported growth of these markets, even though they may be recording growth in local currency terms
- Developing a speciality pipeline entails high upfront investments for long-term benefits, and may impact short-term profitability

Valuation

Sun Pharma reported a decent performance in Q2FY24 with healthy revenue growth, while margins were impacted owing to its deliberate efforts towards R&D spending to improve the product mix. We remain optimistic about the strong growth traction in the speciality segment going ahead, led by the new product pipelines.

Sun Pharma's reliance on US generics has decreased in the past few years, and the Company's growth is now focused on speciality, RoW, and local pharma businesses with significant expansion opportunities. Additionally, the Concert Pharma acquisition strengthens the Company's specialty pipeline. The Company continues outperforming average industry growth in India's formulations, increasing the overall market share. Given the Company's continuous investment in developing a new product pipeline, they will continue to build higher R&D expenses in the near term.

We expect **11.0%** and **9.8% CAGR** growth in its revenue and adjusted net income, respectively, over FY23-FY25E. Further, we expect the revenue to grow by 6.5% in FY27E. When compared to its peers, the company does not participate in contract manufacturing; therefore, there is little to no risk on margins going forward. Gross margin is expected to increase due to improved product mix.

The stock is currently trading at **30.7x/26.1x** of our estimated FY24E/FY25E EPS. We assign a P/E multiple of 34.4x on FY27E EPS of **INR 48.7** to arrive at a Target Price of **INR 1,398** and maintain the HOLD recommendation, as the upside potential is **14.6%** from its **CMP of INR 1,190**.

Market News

Financial Performance:

- Consolidated sales grew by 12.6% in FY23.
- EBITDA and adjusted net profit grew by 12% and 12.8%, respectively.
- The Global Specialty Business saw strong sales growth of 29.3% in FY23.

Sales Performance:

- India formulations sales grew by 6.6% for the full year FY23.
- The US business grew by 10.3% in FY23.
- Branded formulations revenues in emerging markets were up by 8.6% year-on-year for the full year FY23.

New Products

- Sun Pharma launched 24 new products in the Indian market in Q4 FY23.
- Launched four generic products in the US on an ex-Taro basis.
- The speciality business includes Ilumya, Cequa, and Winlevi, with possible new products in the pipeline.

Company Performance

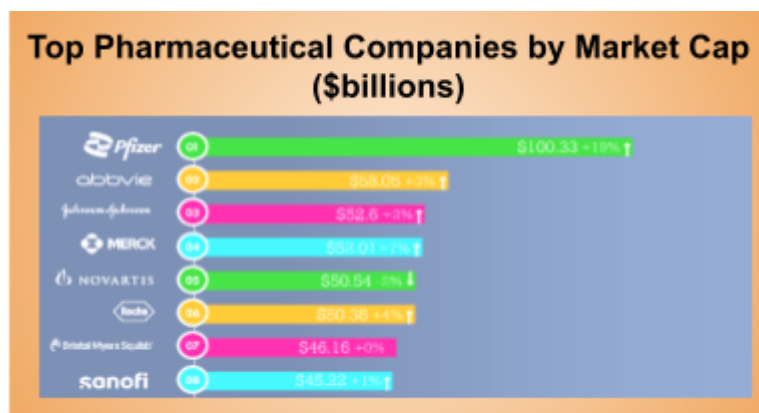
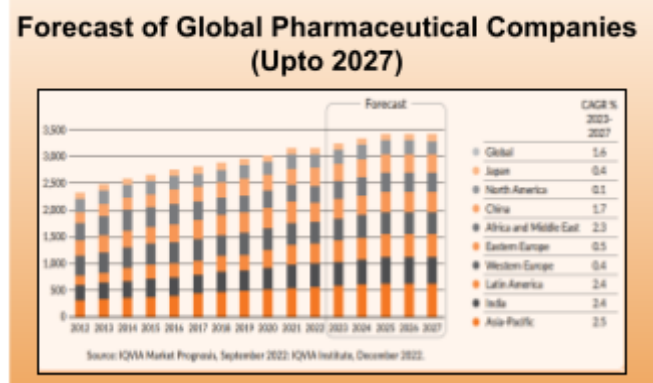
- The company expects high single-digit top-line growth for FY24.
- The board proposes a final dividend of Rs.4 /share for the financial year in addition to the interim dividend of Rs 7.5/share.
- Sun Pharma's Growth is about 11%, and their volume growth is one of the best among their peers of the top 10 companies
- The generic business in the US is expected to do a low growth or a degrowth kind of business, with volume growth from an industry perspective

Research and Development

- Sun Pharma continues to invest in R&D with speciality R&D accounting for 31.7% of their total expenditure in this field.
- The company plans to increase their expenditure in R&D for both speciality and generic businesses in the future

Global Outlook for the Pharmaceutical Industry

The global pharmaceutical industry has risen to the challenge of the COVID-19 pandemic by developing effective vaccines and therapeutics and overcoming unprecedented supply chain disruptions. This is a true testament to the industry's adaptability and resilience in the face of a global health crisis. While the industry is expected to return to pre-pandemic growth rates by 2024, uncertainties related to viral variants, vaccine distribution, and economic and geopolitical factors may impact future growth.



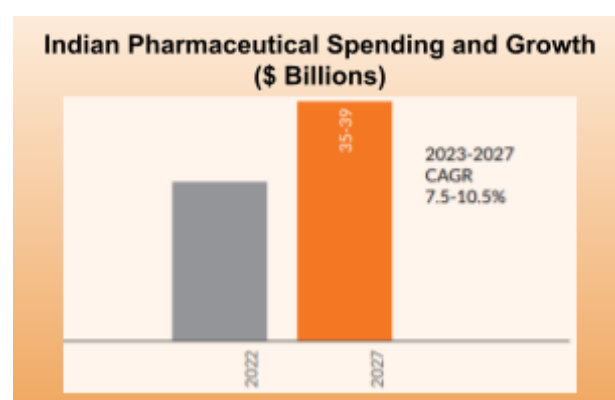
Although growth has now slowed significantly, this is not a case of boom then bust for the industry, as experts still expect global growth to remain above 3% over the next few years. Global high inflation is impacting consumer spending, however, and is likely to create the biggest dent in areas such as personal hygiene and over-the-counter medicines. The reopening of the Chinese economy is helping to reduce strains on global supply chains and, particularly, global access to the active pharmaceutical ingredients (APIs) produced in China.

Transformations in the Global Pharmaceutical Industry

The pharmaceutical sector has grown quickly in recent years and is anticipated to reach USD 1.5 trillion. With the use of cutting-edge digital platforms, big data analytics, and artificial intelligence (AI), the sector is undergoing a transition. Pharma businesses are reorganising their business models, improving financial decisions, reducing human error, boosting performance, and speeding up time to market thanks to AI and big data technologies. In 2022, it was noted that there had been an increase in alliances and collaborations between major pharmaceutical companies and suppliers of AI technology. For instance, Sanofi and Exscientia collaborated to create precision-engineered pharmaceuticals for oncology and immunology therapies early this year. With the help of end-to-end AI-driven platforms and real patient samples, firms have teamed up once more to create novel specific molecular options against various illnesses.

Indian Pharmaceutical Industry

The Indian pharmaceutical industry has been experiencing steady growth with a focus on generic medicines. It is expected that spending on pharmaceuticals in India will continue to increase, with a CAGR of 7.5–10.5% between 2023-27, to reach US\$ 35-39 Billion annually. The industry's continued focus on generics is a key factor in its growth, as they are typically priced lower than branded medicines. The



industry's low-cost structure and its ability to produce large quantities of medicines have also made it a key player in the global pharmaceutical market. In FY23, the Indian pharma market saw a year-on-year growth of nearly 5%, reaching \$49.78 billion. While exports grew a modest 3%, the domestic market increased 7% year-on-year. Among export markets, emerging markets remained relatively flat, while developed markets recorded an 8% growth in FY23. Exports to emerging markets were affected by the Russia-Ukraine conflict, scarcity of foreign currency in several African countries, and significant depreciation of local currencies.

The Indian pharmaceutical industry is witnessing a profound transformation, transitioning from a generics-oriented hub to an innovation-driven pharmaceutical economy, largely attributed to its prominent Contract Development and Manufacturing Organizations (CDMOs). This paradigm shift is illuminated in the recently published 2023 Convention on Pharmaceutical Ingredients (CPI) annual report. CPI has also unveiled a Pharma Index, amalgamating cumulative scores for various countries, evaluating their performance in the pharmaceutical industry across categories such as Active Pharmaceutical Ingredient (API), Finished Dosage Form (FDF), Overall Competitiveness, Knowledge of Professionals, and Growth. India, on the other hand, is making significant progress, particularly in the Growth and Knowledge of Professionals categories, achieving an overall score of 7.456. Nonetheless, the CPI Pharma Index experienced a slight dip, moving from 7.37 in 2022 to 7.187 in 2023, indicating potential shifts in the pharmaceutical industry landscape or variations in the relative performance of these countries.

Management Analysis

Leadership



DILIP SHANGHVI

Managing Director



SAILESH DESAI

Executive Director



AALOK SHANGHVI

Executive Director



SUDHIR VALIA

Non-Independent
Non-Executive Director

S.No	Name	Designation	Qualification
1	Mr Dilip Shanghvi	Managing Director	Dilip Shanghvi is the founder/current MD of Sun Pharma. He is 67 years old and has extensive industrial experience in the pharmaceutical industry. Mr Shanghvi is the Chairman of Sun Pharma Advanced Research Company Ltd, which was formed in 2007 through a demerger of Sun Pharma. He is also the Chairman of Shantilal Shanghvi Foundation. Mr Shanghvi holds a B.Com degree from the University of Calcutta.
2	Mr Sailesh Desai	Executive Director	Sailesh T. Desai has over 28 years of industrial experience, 18 of which have been in the pharmaceutical industry. Mr Desai has extensive and comprehensive corporate affairs experience, being involved in the turnaround at Milmet prior to Sun Pharma's acquisition. He has a BSc degree from the University of Calcutta
3	Mr Aalok Shangvi	Executive Director	Aalok Shangvi joined Sun in 2006 and has handled various roles in Marketing, R&D, Project Management, Purchase and communications. In 2010, he headed Bangladesh, and by 2014, he took over the Emerging Markets business, which is spread across 80 countries covering Africa, the Middle East, APAC, Eastern Europe, CIS, and Latam. He has completed his undergraduate major in Cellular and Molecular Biology from the University of Michigan – Ann Arbor
4	Mr Sudhir Valia	Non-Independent, Non-Executive Director	Sudhir V. Valia is a member of the Institute of Chartered Accountants of India and has more than three decades of experience in taxation and finance. Mr. Valia stepped down from the role of Whole-time Director and is now a Non-Independent, Non-Executive Director of the business. He is also on the board of Taro Pharmaceuticals Ltd

Independent Directors

S.No	Name	Designation	Qualification
1	Mr Gautam Doshi	Independent Director	Gautam Doshi, a Chartered Accountant with a Masters degree in Commerce, has been in professional practice for over 40 years. Mr. Doshi has over 40 years of experience in a wide range of areas covering Mergers and Acquisitions, Direct, Indirect and International Taxation, Transfer Pricing, Accounting and Corporate and Commercial Laws. He also served as Chairman of Committees on direct and indirect taxation. He is also an Independent Director at Piramal Enterprise Ltd. Mr Doshi has done his MCom from Mumbai University
2	Mr Pawan Goenka	Independent Director	Dr. Pawan Goenka earned his B. Tech. in Mechanical Engineering from IIT, Kanpur and his Ph.D. from Cornell University, U.S.A. He is also a Graduate of the Advanced Management Program from Harvard Business School. He worked at General Motors R&D Centre in Detroit, U.S.A., from 1979 to 1993. Thereafter, he joined Mahindra & Mahindra Ltd. as General Manager (R&D). During his R&D tenure, he led the development of the Scorpio SUV. Dr Pawan Goenka was appointed Executive Director and President (AFS) on the Board of Mahindra & Mahindra Ltd. on 23rd September 2013. Dr Goenka is credited with building a strong R&D and a wide product portfolio for Mahindra and is also widely recognised as a thought leader and statesman of the India Auto Industry
3	Ms Rima Bijapurkar	Independent Director	Rama Bijapurkar is a recognised thought leader on business-market strategy and India's consumer economy. She has an independent management consulting practice, works across sectors, and describes her domain as bringing market focus to business strategy. She is a Professor of Management Practice at the Indian Institute of Management, Ahmedabad, and co-founder of People Research on India's Consumer Economy, a not-for-profit think tank and fact tank on India's economy and citizen environment for use in business strategy and public policy.
4	Mr Sanjay Asher	Independent Director	Mr. Sanjay Asher is presently a Senior Partner with M/s. Crawford Bayley & Co., which is India's oldest law firm, was established in 1830. Mr. Asher holds a Bachelor's Degree in Commerce and a Bachelor's Degree in Law from the University of Bombay. He has been a practising Advocate since 1991, and was admitted as a Solicitor in the year 1993. He is also a qualified Chartered Accountant. He specialises in the fields of M&A, cross-border M&A, joint ventures, private equity and capital markets.
5	Mr Rolf Hoffman	Independent Director	Mr Rolf Hoffmann is a Strategic and results-orientated Executive who is highly respected for his expertise in creating and optimising commercial opportunities in all global markets. He has over 29 years of experience managing the top 50 worldwide markets with full P&L and cross-functional accountability. Mr Hoffmann has worked with Eli Lilly and Company for over a 17-year period with a balance of in-country management, international, and regional management

Financials

Exhibit 1.1: Income Statement

INR (Million)	Income Statement					
	2022A	2023E	2024E	2025E	2026E	2027E
Total Revenue	3,84,265	4,32,789	4,85,385	5,35,246	5,84,755	6,33,290
EBITDA	1,02,438	1,16,468	1,25,087	1,45,204	1,61,559	1,69,721
Depreciation	21,437	25,294	26,663	28,032	29,401	32,743
EBIT	81,001	91,174	98,424	1,17,172	1,32,158	1,36,978
Net Interest	(1,274)	(1,720)	(2,299)	(2,194)	(2,094)	(2,164)
Other Income	9,215	6,345	16,746	16,845	18,424	18,663
EBT	90,216	97,519	1,15,170	1,34,017	1,50,582	1,55,641
Income taxes	10,755	8,476	14,109	17,139	19,303	18,210
Extraordinary items	(44,129)	-	-	-	-	-
Reported Net Profit	35,332	89,043	1,01,061	1,16,878	1,31,279	1,37,431
Adjustments	44,129	-	-	-	-	-
Adjusted Net Profit	79,461	89,043	1,01,061	1,16,878	1,31,279	1,37,431

Exhibit 1.2: Balance Sheet

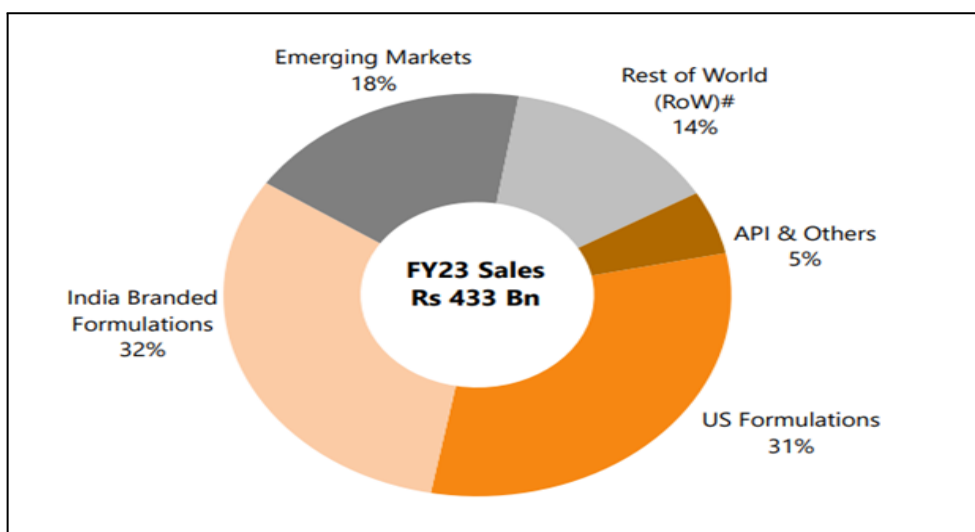
INR (Million)	Balance Sheet					
	2022A	2023E	2024E	2025E	2026E	2027E
Accounts Payable	44,793	56,815	48,554	52,449	54,913	57,196
Other current provisions	34,479	31,628	31,660	31,695	31,733	32,421
Provisions	95,169	56,973	62,327	68,217	74,696	71,278
Debt Funds	12,903	68,859	65,696	62,691	59,836	55,863
Other Liabilities	-	-	-	-	-	-
Equity Capital	2,399	2,399	2,399	2,399	2,399	2,399
Reserves & Surplus	5,08,263	5,90,755	6,71,547	7,65,435	8,71,238	9,70,390
Shareholder's Fund	5,10,662	5,93,154	6,73,946	7,67,834	8,73,637	9,72,789
Total Liabilities & Equity	6,98,005	8,07,429	8,82,183	9,82,886	10,94,816	11,89,547
Cash & Cash Eq.	50,333	57,930	1,18,063	1,99,348	2,93,401	3,51,253
Accounts Receivable	1,05,929	1,14,385	1,24,132	1,36,883	1,49,545	1,59,765
Inventories	89,968	1,05,131	1,13,645	1,25,319	1,36,911	1,76,883
Other current assets	85,817	87,984	87,984	87,984	87,984	87,984
Investments	1,28,486	1,48,301	1,48,301	1,48,301	1,48,301	1,48,301
Net fixed assets	1,03,721	1,03,670	1,00,030	95,023	88,646	75,332
CWIP	12,868	49,732	49,732	49,732	49,732	49,732
Intangible assets	1,20,884	1,40,297	1,40,297	1,40,297	1,40,297	1,40,297
Total Assets	6,98,005	8,07,429	8,82,183	9,82,886	10,94,816	11,89,547

Exhibit 1.3: Cash Flow Statement

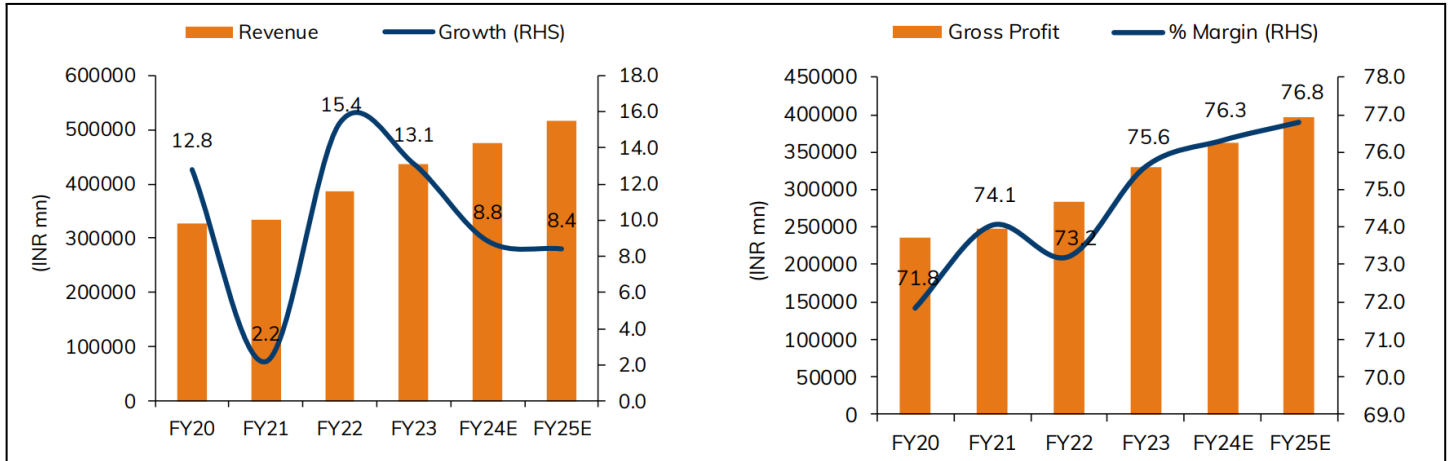
INR (Million)	Cash Flows					
	2022A	2023E	2024E	2025E	2026E	2027E
Cash flows from operations	83,401	59,617	1,04,881	1,28,446	1,43,284	1,59,663
Capital Expenditures	(27,712)	(81,520)	(23,024)	(23,024)	(23,024)	(23,024)
Change in Investments	(32,361)	(19,815)	-	-	-	-
Cash flows from investing	(60,073)	(1,01,335)	(23,024)	(23,024)	(23,024)	(23,024)
Debt raised/repaid	(25,783)	55,956	(3,163)	(3,005)	(2,855)	(3,155)
Interest expenses	(1,274)	(1,720)	(2,299)	(2,194)	(2,094)	(1,974)
Dividends paid	(23,990)	(15,268)	(17,493)	(20,336)	(22,901)	(21,775)
Other financing cash flows	13,597	10,347	1,231	1,397	1,644	1,866
Cash flow for financing	(37,450)	49,315	(21,725)	(24,137)	(26,206)	(25,663)
Change in cash & cash eq	(14,122)	7,597	60,132	81,285	94,054	1,01,323
Closing cash & cash eq	50,333	57,930	1,18,063	1,99,348	2,93,401	3,42,112

Exhibit 2.1: Revenue mix - segment wise

INR (Billions)	Revenue Mix - Segment Wise				
	2023E	2024E	2025E	2026E	2027E
Formulation	410.8	460.8	508.2	556.7	595.5
Domestic	136.0	150.1	165.9	179.9	188.2
Exports	274.8	310.7	343.2	376.4	389.1
US	135.4	155.2	172.9	193.6	202.5
EM	79.0	88.5	97.3	107.0	122.3
ROW	60.4	67.0	72.1	75.8	79.2
API	19.7	22.1	24.3	25.3	27.5
Other	2.3	2.5	2.8	3.1	3.4

Exhibit 2.2: Revenue Analysis for FY23


2.3: Revenue and Gross Margin Growth



WACC Calculation

Weighted Average Cost of Capital

All figures are in INR unless stated otherwise.

Peer Comps

Name	Country	Total Debt	Total Equity	Tax Rate ¹	Debt/Equity	Debt/Capital	Levered Beta ²	Unlevered Beta ³
Sun Pharma	India	6,885.9	2,66,638.1	30.00%	2.58%	2.52%	0.71	0.70
Cipla	India	960.9	94,800.2	30.00%	1.01%	1.00%	0.34	0.34
Divi's Lab	India	3.3	90,576.6	30.00%	0.00%	0.00%	0.21	0.21
Dr Reddy's Lab	India	1,323.0	90,018.8	30.00%	1.47%	1.45%	0.64	0.64
Torrent Pharma	India	4,487.0	65,003.5	30.00%	6.90%	6.46%	0.39	0.37
Average				30.00%	2.39%	2.29%	0.46	0.45
Median				30.00%	1.47%	1.45%	0.39	0.37

Cost of Debt

Pre-tax Cost of Debt	9.70%
Tax Rate	30.00%
After Tax Cost of Debt	6.79%

Capital Structure

		Current	Target
Total Debt	6,885.9	2.52%	2.29%
Market Capitalization	2,66,638.1	97.48%	97.71%
Total Capitalization	273523.97	100.00%	100.00%
Debt / Equity		2.58%	2.34%

1. Tax Rate considered as Marginal Tax Rate for the country
2. Levered Beta is based on 2 year weekly data
3. Unlevered Beta = Levered Beta / (1 + (1 - Tax Rate) x Debt/Equity)
3. Levered Beta = Unlevered Beta / (1 + (1 - Tax Rate) x Debt/Equity)

Cost of Equity

Risk Free Rate	7.35%
Equity Risk Premium	8.33%
Levered Beta ⁴	0.48
Cost of Equity	11.36%

Levered Beta

Comps Median Unlevered Beta	0.37
Target Debt/ Equity	2.34%
Tax Rate	30.00%
Levered Beta	0.48

Weighted Average Cost of Capital

Cost of Equity	11.36%
Equity Weight	97.71%
Cost of Debt	6.79%
Debt Weight	2.29%
WACC	11.25%

DCF Calculation

Calculation of PV of FCFF		Mar-22	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27
EBIT		8,100.10	8,578.01	9,084.11	9,620.07	10,187.65	10,788.73
Tax Rate		25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
EBIT (1-T)		6,075.08	6,433.50	6,813.08	7,215.05	7,640.74	8,091.54
Less: Reinvestment Rate		43.50%	43.50%	43.50%	43.50%	43.50%	43.50%
Free Cash Flow to Firm		3,432.42	3,634.93	3,849.39	4,076.50	4,317.02	4,571.72
Discounting Factor		1.00	0.95	0.85	0.77	0.69	0.62
PV of FCFF		3,432.42	3,446.24	3,280.51	3,122.76	2,972.58	2,829.63
Expected Growth	5.90%	Calculation of Enterprise Value					
Terminal Growth	3.70%						
Calculation of Terminal Value							
FCFF (n+1)	4,841.45						
WACC	11.25%						
Terminal Growth Rate	3.70%						
Terminal Value		64125.2248					

Safe Harbour

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