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SUN PHARMACEUTICAL INDUSTRIES LIMITED

November 17, 2017

SUN PHARMA

Current Price: ₹ 508.65

STOCK DATA

BSE Code	524715
NSE Symbol	SUNPHARMA
Reuters	SUN.BO
Bloomberg	SUNP IN

VALUE PARAMETERS

Price (Rs)	508.65
52 W H/L(Rs)	730.75/433.15
Mkt. Cap.(Rs Cr)	122040.81
Latest Equity(Subscribed)	239.93
Latest Reserve (cons.)	36399.74
Latest EPS (cons.) -Unit Curr.	19.07
Latest P/E Ratio -cons	26.67
Latest Bookvalue (cons.) -Unit Curr.	153.74
Latest P/BV - cons	3.31
Dividend Yield -%	0.69
Face Value	1

SHARE HOLDING PATTERN (%)

Description as on	% of Holding 30/09/2017
Foreign	18.53
Institutions	13.88
Govt Holding	0.00
Non Promoter Corp. Hold.	4.47
Promoters	54.38
Public & Others	8.74

Consolidated Results

In Cr.

Particulars	Qtr Ending Sep. 2017	Qtr Ending Sep. 2016	Var. (%)
Total Income	6650.34	8260.11	-19
OPM (%)	20.68	38.35	-46
OP	1375.61	3167.69	-57
Other income	254.84	119.40	113
PBIDT	1630.45	3287.09	-50
Net Finance Charges	157.44	53.72	193
PBDT	1473.01	3233.37	-54
Depreciation	358.65	303.83	18
PBT before EO	1114.36	2929.54	-62
EO	0.00	0.00	
PBT after EO	1114.36	2929.54	-62
Tax expense	111.40	441.65	-75
PAT	1002.96	2487.89	-60
Minority Interest	0.00	0.00	
Share of Profit of Associates	-1.17	-16.78	-93
Profit after Minority Interest and Share of profit of Associates	1001.79	2471.11	-59
EPS (Rs)	4.18	10.27	-59.33

Sun Pharma in Q1, misses analysts estimates.

Sales and Net Profit for Q2FY18 and H1FY18 are not comparable with relevant periods of last year due to:

US sales for Q2 and H1 last year includes the benefit of the 180-day exclusivity for Imatinib which expired in July-2016.Post the implementation of Goods and Service Tax (GST) with effect from 01-July-2017, India sales are now reported net of GST while sales in Q2 and H1 last year included excise duty which is now subsumed in GST.

Highlights of Q2 consolidated financials**

Sales / Income from operations at Rs. 6,590 crores, de-growth of 15% over same quarter last year.

- India sales at Rs. 2,221 crores, growth of 11% over Q2 last year.
- US finished dosage sales at US$ 309 million down by 44% over Q2 last year.
- Emerging Markets sales at US$ 196 million up by 16% over Q2 last year.
- Rest of World sales at US$ 111 million, growth of 40% over Q2 last year.
- R&D investments at Rs. 511 crores (7.7% of sales) compared to Rs. 570 crores (7.4% of sales) for Q2FY17.
- EBITDA at Rs. 1,315 crores, resulting EBITDA margin of 20%.
- Net profit for the quarter at Rs. 912 crores, down 59% over Q2 last year, resulting net profit margin of 14%.

India Business – Market Leadership

Sale of branded formulations in India for Q2FY18 was Rs. 2,221 crores, up 11% and accounting for 34% of total sales. For the first half, sales were at 3,982 crores, up by 3% over same period last year. While there is a gradual recovery post the implementation of GST in India; the underlying growth remains robust. Sun Pharma is ranked No. 1 and holds approximately 8.5% market share in the over Rs. 114,000 crore Indian pharmaceutical market as per September-2017 AIOCD-AWACS report. As per latest SMSRC report, Sun Pharma is ranked no. 1 based on share of prescriptions with 11 classes of doctors. For Q2FY18, the company launched 14new products in the Indian market.

US Formulations

Sales in the US were US$ 309 million for the quarter, a de-growth of 44% over same period last year and accounted for 30% of total sales. For first half sales were US$ 660 million recording de-growth of 43% over same period last year. Sales for first half last year included the benefit of generic Imatinib exclusivity which expired inJuly-2016. Besides Imatinib, the overall pricing pressure in the US generics market also impacted the YoY growth. At the same time, Taro posted Q2 FY18 sales of US$ 170 million, down 26% over Q2 last year. For the first half, sales were US$ 331 million, down 28% over first half last year. Taro's net profit for Q2 was US$ 52 million, down by 58% over Q2 last year. Net profit for H1FY18 was US$ 107 million, down by 54% over first half last year.

Emerging Markets

sales in emerging markets were at US$ 196 million for Q2; a growth of 16% compared to the same quarter last year and accounted for 19% of total sales. For the first half, sales were US$ 363 million, up by 13% over first half last year. While the growth was broad-based across various markets, it was partly boosted by the consolidation of the Biosintez acquisition in Russia.

Rest of World Markets

Formulation sales in Rest of World (ROW) markets excluding US and Emerging Markets were US$ 111 million in Q2FY18, a growth of 40% from Q2 last year and accounting for approximately 11% of revenues. For the first half, sales were US$ 226 million, up by 39% over first half last year. The growth was partly boosted by the consolidation of revenues from the acquisition of 14 brands from Novartis in Japan.

Active Pharmaceutical Ingredients (API): Strategic strength

API business imparts benefits of vertical integration for our formulations business. We continue to increase the API supply for captive consumption for key products. For Q2FY18, external sales of API were at Rs. 388 crores, up by 6% over Q2 last year. For the first half, API sales were at Rs. 697 crores, down by 17% over first half last year

Research – Investing for future

Consolidated R&D expense for Q2FY18 was Rs. 511 crores, or 7.7% of sales compared to Rs. 570 crores or 7.4% of sales for Q2 last year. For the first half, R&D expense was Rs. 1,033 crores, or 8.1% of sales. This R&D expenditure includes investments on account of funding the clinical development of our global specialty pipeline.

We have a comprehensive product offering in the US market consisting of approved ANDAs for 422 products while filings for 136 ANDAs await US FDA approval, including 15 tentative approvals. For the quarter, 4 ANDAs were filed and 3 approvals were received. Additionally, the pipeline includes 37 approved NDAs while 4 NDAs await US FDA approval.

Management Comments

Dilip Shanghvi, Managing Director of the Company said, "A challenging US generic pricing environment coupled with continued investments in building our global specialty business have impacted our Q2 performance. We expect our performance to gradually improve in the second half of this year. I would also like to welcome Mr. Vivek Chaand Sehgal who has joined us as an independent director as of today. Mr. Sehgal is a very successful entrepreneur and is the Chairman of Samvardhana Motherson Group and Motherson Sumi Systems Ltd. Under the leadership of Mr. Sehgal, Samvardhana Motherson Group has evolved into a US$ 9 billion leading full system solutions provider to the global automotive industry, starting with an initial equity capital of US$ 17 in 1977. I believe that Sun Pharma will benefit from his experience and guidance."

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