Company Update l Pharma & Healthcare l 6 October 2022

Sun Pharma Industries Ltd.

How special is the specialty?

Specialty business: In the spotlight

Sun Pharma's global specialty portfolio grew by 39% in FY22 to USD 679 Mn driven by increased sales of Ilumya which witnessed robust growth of 81% in FY22 to USD 315 Mn. SUNP has improved its business mix by launching more products in specialty which garners higher margin for the company. The contribution from specialty has increased significantly from 7% in FY18 to 13% in FY22. The metamorphic shift from generics to specialty will lead to higher revenues growth which will be aided by drugs such as Winlevi, Ilumya, Cequa, Levulan, Bromsite and Odomzo.

US Generic business: The tide is turning

The US generic business has always been a pain for SUNP with higher price erosion, issues related to Halol facility and litigation liabilities which came a baggage with acquisition of Ranbaxy. However, the tides are turning now as SUNP's ANDA pipeline looks promising with limited competition such gPentasa and gSensipar. gPentasa currently is a 2 player market with market size of USD 217 Mn, we assume 50% price erosion and 50% market share for SUNP which adds USD 50 Mn i.e 3% growth to SUNP's US revenue. The company has rich pipeline of 93 ANDAs awaiting USFDA approval (out of which 28 tentative approvals). Additionally, the portfolio of the company also includes 54 approved NDAs while 13 NDAs await US FDA approval.

India Business: Robust revenue visibility

India business has seen growth of 23% YoY in FY22 to INR 128 Bn mainly driven by pick up in chronic and semi chronic portfolio. SUNP continued to remained on the top of the market, maintaining its leadership position by capturing 8.3% market share in the IPM (Indian Pharma Market). The company plans to expand its field force by 10% in FY23 for its branded portfolio and geographical expansion. We expect 8% growth for SUNP in the domestic market in FY23E which will be driven by price hike and volume gain in key therapies such as cardiovascular and gastroenterology and new product launches.

Emerging Market: No impact of ongoing war

SUNP has presence in more than 80 markets with major focus on Romania, Russia, South Africa, Brazil and Mexico. In FY22 the company's emerging market business witnessed revenue growth of 16.6% with sales of INR 67 Bn driven by robust growth in Russia and Romania respectively. The company have not witnessed any major impact of the geopolitical issues on the operations in Russia.

R&D expenses: To inch up going ahead

SUNP plans to increase its R&D investments to fund the phase III trials of Ilumya in psoriatic arthritis. The company also plans to initiate phase II trial of SCD-044 in Psoriasis and Atopic Dermatitis and MM-II phase II trial of osteoarthritis. SUNP guided that R&D cost will rise to 8-9% of revenue as against 5.5% in FY22 which will lead to muted margins going ahead.

Valuation:

The specialty segment of the company looks attractive due to robust ANDA pipeline and ramp up in branded drugs prescriptions. The incremental benefit from the limited competition drug such as gPentasa and gSensipar will fuel the revenue growth further. The India business continues to grow at high double digit with increased market share. However, increased cost on R&D front will limit the EBITDA margins to 26% in FY23. Based on SOTP valuation we arrive at target price of 1,080 (implied P/E multiple of 27) on its FY24E, offering 15% upside from current levels. Buy.

Rating: Buy	**Upside/(Downside): 15%**
Current Price: 942	**Target Price: 1080**

|Earlier recommendation

Previous Rating:	Accumulate
Previous Target Price:	1,016

l Market Data

Bloomberg:	SUNP IN
52-week H/L (Rs):	967 / 734
Mcap (Rs bn/USD bn):	2304/28.2
Shares outstanding (mn):	2399
Free float:	45.5%
Avg. daily vol. 3mth (3M Avg.):	3 Mn
Face Value (Rs):	1
Group:	S&P BSE SENSEX

l Shareholding pattern

	Jun-22	Mar-22	Dec-21	Sep-21
Promoter	54.5	54.5	54.5	54.5
FIIs	14.9	14.4	13.0	12.1
DIIs	19.7	20.0	21.0	21.7
Public/others	10.9	11.1	11.5	11.7
l Promoters Pledging				
Pledge share	4.0	5.5	4.7	6.5

Source: BSE

| Price Performance (%)*

YE Mar (R)	1M	3M	12M	36M
S&P BSE SENSEX	-1.1	8.8	-1.1	55.3
SUNP IN	8.3	14.7	20.0	149.3

**As on 4th Oct 2022; Source: AceEquity, SMIFS research*

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Y/E Mar (mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj. PAT	YoY (%)	Adj. EPS	RoE (%)	RoCE (%)	Adj P/E (x)	EV/EBITDA (x)
FY20	328,375	13.0%	69,898	21.3%	40,256	3.8%	16.8	9.7	9.1	28.4	16.6
FY21	334,981	2.0%	84,914	25.3%	72,100	79.1%	30.1	5.0	11.3	23.4	19.6
FY22	386,545	15.4%	103,977	26.9%	78,396	8.7%	32.7	7.2	15.1	26.8	19.8
FY23E	426,329	10.3%	110,075	25.8%	82,178	4.8%	34.3	16.3	14.0	27.5	19.8
FY24E	469,329	10.1%	127,702	27.2%	95,381	16.1%	39.8	16.7	14.5	23.7	16.6

Company's actions, regulator's reaction reflected in "mostly" positive news flow

The first USFDA approved specialty drug in SUNP's portfolio is Odomzo which was approved in US on Jul 2015 and is used for the treatment of basal cell carcinoma (a kind of skin cancer). The drug was acquired from Swiss based Novartis for $175 Mn. SUNP's all specialty drugs are through acquisition only.

Fig 1: Development timeline of specialty portfolio

Year	Event
2016	Licensing agreement with Almirall for Tildrakizumab for Psoriasis
2016	Acquired global rights for Cequa & Odomzo
2019	Licensing agreement with CMS for Tildrakizumab, Cequa & 8 generic products
2020	Licensing agreement with SPARC for SCD-044
2020	Exclusive licensing agreement with Hikma for Ilumya
2021	In-licensed Winlevi (clascoterone cream 1%)

Source: Company, SMIFS Research

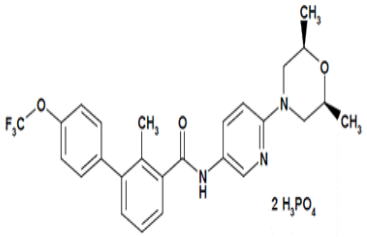
USFDA Approval Timeline

2015	2016	2017	2018	2019	2020
Odomzo (sonidegib)	Cequa, BromSite		ILUMYA, Yonsa (abiraterone acetate), Xelpros		Winlevi

Source: Company, SMIFS Research

Drugs under Specialty portfolio

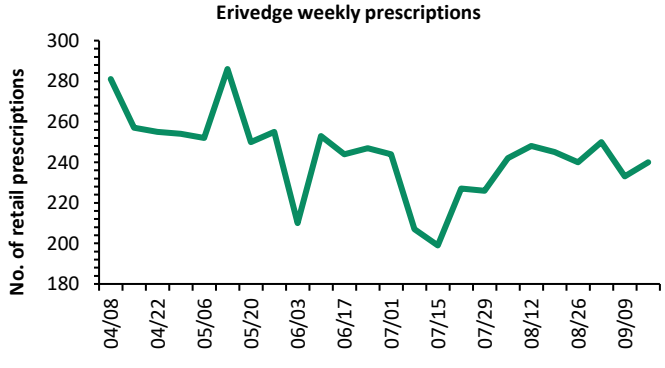
Treatment	Basal cell carcinoma (BCC)
Sales in FY22	USD 46 Mn
Background	The drug was acquired from Swiss based Novartis for $175 Mn. It was the first branded oncology product in the Sunpharma's portfolio.
Competition	In US Odomzo competes with Roche's Erivedge (vismodegib) which is also approved for metastatic BCC. In terms of efficacy, the response rates for locally advanced disease for the vismodegib is 43% versus 30% for metastatic disease. With sonidegib, the locally advanced response rate was virtually identical at 44%.
Outlook	Basal cell carcinoma (BCC) is the most common form of skin cancer. An estimated 3.6 million cases of BCC are diagnosed in the U.S. each year. About 80% of non-melanoma skin cancers are basal cell carcinoma. For large (also called advanced) basal cell cancers that cannot be treated with surgery or radiation therapy, there are 2 targeted drugs, vismodegib (Erivedge) and sonidegib (Odomzo), which are FDA-approved drugs known as hedgehog pathway inhibitors. Erivedge's US revenues stood at ~USD 269 mn in CY22 with degrowth of 3.1% YoY while Odomzo grew 84% YoY indicating that it is gaining market share. We believe BCC is a limited competition space and Odomzo peak sales could touch USD 75mn-85mn by FY25E



Sonidegib

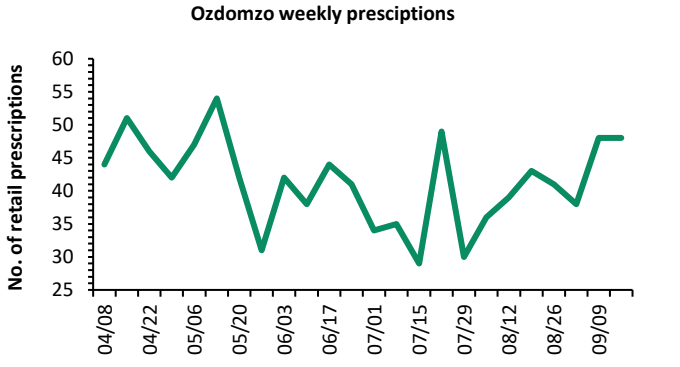
Weekly prescription trend for hedgehog pathway inhibitors

Fig 2: Two indication led to higher Rx for Erivedge…

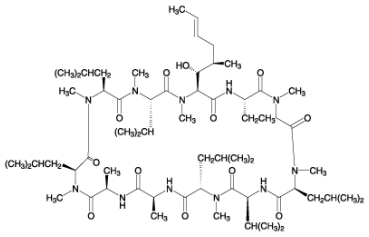


Source: Bloomberg, SMIFS Research

Fig 3: As compared to that of Odomzo



Source: Company, SMIFS Research



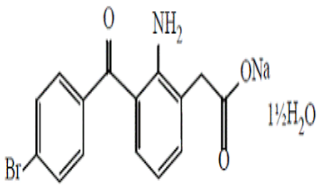
Cyclosporine

Brand Name and Approval date	Cequa (Cyclosporine 0.09%) - Approved in Aug 2016
Treatment	Cequa is the first and only chronic dry eye treatment formulated with NCELL Technology.
Sales in FY22	USD 50 Mn
Background	Sun Pharma acquired global rights and intellectual property for Cequa through the acquisition of Ocular Technologies Sarl, from private equity firm Auven Therapeutics (Auven) in January 2018.
Competition	Cequa competes with AbbVie's Restatsis and Novartis's Xiiadra. Restasis and Cequa are similar drugs but with different concentrations of cyclosporine (0.05% and 0.09% respectively). Restatsis cloaked annual sales of USD 1.2 Bn in CY21 while Xiiadra had sales of USD 468 Mn in CY21 registering growth of 24%.
Outlook	About 30 million people in the U.S. have symptoms of dry eye, with more than 16 million diagnosed with some type of dry eye disease. Only 1.7 million are using a prescription product to treat dry eye. The global dry eye syndrome market size was USD 5.22 billion in 2019 and is projected to reach USD 6.54 billion by 2027, exhibiting a CAGR of 4.7% during the forecast period. We expect Cequa to garner revenue of USD 80-85 Mn by FY25E.

Other drugs approved for Dry eye disease

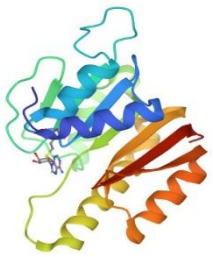
Brand Name	Generic Name	Manufacturer	Preparation	Additional Information
Lotemax SM	Loteprednol etabonate 0.38%	Bausch & Lomb	Gel drops	0.38% approved for three times daily dosage
				0.5% approved for four times daily dosage
Lotemax Gel	Loteprednol etabonate 0.5%	Bausch & Lomb	Gel drops	0.38% approved for three times daily dosage
				0.5% approved for four times daily dosage
Lotemax Ointment	Loteprednol etabonate 0.5%	Bausch & Lomb	Ointment	0.38% approved for three times daily dosage
				0.5% approved for four times daily dosage
Inveltys	Loteprednol etabonate 1.0%	Kala	Suspension	Twice daily
Alrex	Loteprednol etabonate 0.2%	Bausch & Lomb	Suspension	Twice to four times daily
Pred Forte	Prednisolone acetate 1%	Allergan/Abbvie	Suspension	Twice to four times daily
	Phenylephrine			
FML	Fluorometholone alcohol 0.1%	Allergan/Abbvie	Suspension	Twice to four times daily
Restasis	Cyclosporine 0.05%	Allergan/Abbvie	Emulsion	Twice daily
Cequa	Cyclosporine 0.09%	Sun Pharma	Emulsion	Twice daily
Xiidra	Lifitegrast 5%	Novartis	Solution	Twice daily
Ikervis	Cyclosporine 0.1%	Santen	Emulsion	One drop at night
Eyesuvis	Loteprednol etabonate 0.25%	Kala	Solution	Four times per day for two weeks
Doxycycline	Tablets	Generic	Oral	50mg per day for at least two months
Minocycline				
Azithromycin	Tablets	Generic	Oral	500mg on day one
				250mg on day two to fourteen
				250mg every other day for day fifteen to twenty-eight
Azasite	Azithromycin 1%	Akorn	Solution	Twice daily

Source: Drugs.com, SMIFS Research



Bromfenac sodium

Brand Name and Approval date	Bromsite
Treatment	Bromsite was approved in April FY16 by the USFDA and is used for the treatment of postoperative inflammation and prevention of ocular pain in patients undergoing cataract surgery.
Sales in FY22	USD 25 Mn
Background	Bromsite was developed by Insite Vision which was acquired by SUNP in 2015.
Competition	The NSAID ophthalmic market size is USD 400 mn and the major players in this market are Dextenza, Inveltys and Lotemax SM as well as from older drugs such as Prolensa, Durezol and Ilevro. As compared to competitors drug Bromsite is more affordable.
Outlook	SUNP garners USD 25 Mn sales from this drug but the drug is witnessing intense competition and pricing pressure from the new entrants such as Dextenza, Inveltys and Lotemax SM as well as from older drugs such as Prolensa, Durezol and Ilevro. We expect sales of Bromsite to decline to USD 5 Mn in FY25 owing to competitive pressure.

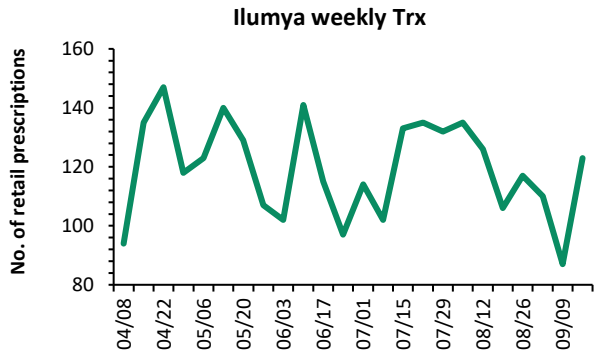


tildrakizumab

Brand Name and Approval date	Ilumya
Treatment	Approved by USFDA to treat moderate-to-severe Plaque Psoriasis; in clinical trials (Phase 3) for Psoriatic Arthritis
Sales in FY22	USD 315 Mn
Background	Sun Pharma acquired Ilumya from Merck in FY14 for USD 80 Mn. The US plaque psoriasis market size was valued at $14.2 billion in 2020. ILUMYA has also been approved for moderate-to-severe plaque psoriasis in Australia and Japan, and under the brand name Ilumetri in Europe.
Competition	The IL inhibitor market is quite crowded, and many of the treatments are as safe and effective as Ilumya. Ilumya competes with BMY's Otezla, Novartis' Cosentyx, Eli Lilly's Taltz and Johnson & Johnson's Tremfya which are approved for psoriasis.
Outlook	Ilumya is one of the fastest growing IL-23s in US and may garner 8% share in IL-23 market. It is used for autoimmune disorder and has recorded robust growth of 81% YoY registering sales of USD 315 Mn in the US in FY22. It contributes 46% to company's specialty portfolio. SUNP is exploring further uses for Ilumya across the immunology field, a common practice with its rivals that can bump sales up into the blockbuster range.

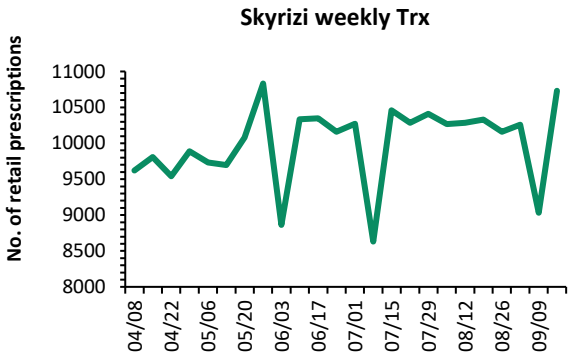
Prescription trend for Ilumya and other IL-23

Fig 4: Ilumya has witnessed stability in Sep 2022



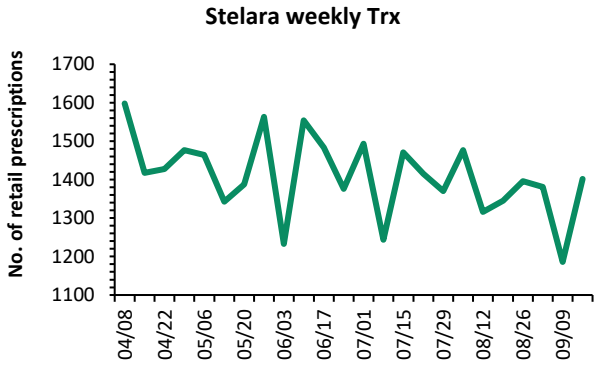
Source: Bloomberg, SMIFS Research

Fig 5: Whereas Skyrizi tops the market



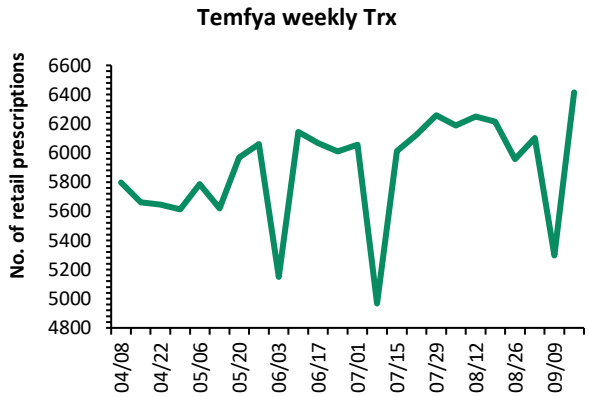
Source: Company, SMIFS Research

Fig 6: Stelara witnessed 18% growth in second week of Sep



Source: Bloomberg, SMIFS Research

Fig 7: Whereas for Tremfya the weekly growth was 21%



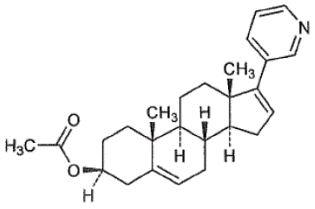
Source: Company, SMIFS Research

Note: The prescription trend is for retail channel only and does not include institutional sales.

Other drugs approved for Psoriasis and plaque psoriasis are:

Drug	Mechanism	Route of administration	Year of FDA approval
Risankizumab	Humanized IgG1 monoclonal antibody binding p19 subunit of IL-23	Subcutaneous	2019
Certolizumab	Humanized PEGylated Fab fragment binding TNF-α	Subcutaneous	2018
Tildrakizumab	Humanized IgG1κ monoclonal antibody binding p19 subunit of IL-23	Subcutaneous	2018
Guselkumab	Human IgG1λ monoclonal antibody binding p19 subunit of IL-23	Subcutaneous	2017
Brodalumab	Human monoclonal IgG2 antibody binding IL-17RA	Subcutaneous	2017
Ixekizumab	Humanized IgG4 monoclonal antibody binding IL-17A	Subcutaneous	2016
Secukinumab	Human IgG1 monoclonal antibody binding IL-17A	Subcutaneous	2015
Ustekinumab	Human IgG1κ monoclonal antibody binding shared p40 subunit of IL-12 and IL-23	Subcutaneous	2009
Adalimumab	Human IgG1 monoclonal antibody binding TNF-α	Subcutaneous	2008
Infliximab	Chimeric IgG1κ monoclonal antibody binding TNF-α	Intravenous	2006
Etanercept	Decoy TNF receptor	Subcutaneous	2004

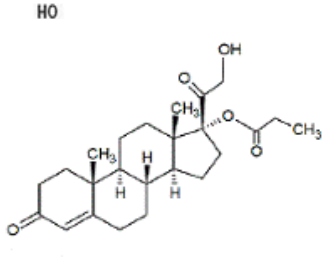
Source: Drugs.com, SMIFS Research



Abiraterone acetate

Brand Name and Approval date	Yonsa - May 2018
Treatment	Used for the treatment of patients with metastatic castration-resistant prostate cancer (CRPC)
Sales in FY22	USD 10 Mn
Background	The drug was acquired from Churchill Pharmaceuticals and Churchill is eligible for upfront and sales-based milestones and royalties.
Competition	Yonsa has the same API (abiraterone acetate) as Zytiga but is a different formulation. It is a novel molecule as it is approved in combination with methylprednisolone and can be taken with or without food while Zytiga has to be taken with only food.
Outlook	The approx. sales of Yonsa is USD 10 Mn in FY22 and we expect due to stiff competition from gZytiga and the sales will decline to USD 3 Mn in FY25.

Brand Name and Approval date	Xelpros - Sept 2018
Treatment	Used for the reduction of elevated intraocular pressure (IOP, or pressure inside the eye) in patients with open-angle glaucoma or ocular hypertension.
Sales in FY22	USD 35 Mn
Background	Sun Pharma in-licensed Xelpros from SPARC in June 2015 and SPARC is eligible for milestone payments and royalties on commercialization of Xelpros in the US. . It is the first and only form of latanoprost that is not formulated with benzalkonium chloride (BAK), a preservative commonly used in topical ocular preparations.
Competition	Xelpros compete with Pfizer's Xalatan and the only difference between these two treatments are Xelpros does not contain the preservative benzalkonium chloride. Xalatan does contain benzalkonium chloride.
Outlook	Xelpros cloaked sales of USD 35 Mn in FY22 and is expected to have flat sales of USD 38 Mn in FY25.



Clascoterone

Brand Name and Approval date	Winlevi - Aug 2020
Treatment	It is used for the treatment of Acne Vulgaris.
Sales in FY22	USD 16 Mn
Background	It is the first FDA-approved acne drug with a first-in-class mechanism of action in nearly 40 years. It works by inhibiting the effects of androgen receptors in cells of the sebaceous glands (oil producing glands in skin) to help reduce sebum (oil) production and inflammation. Sun Pharma and specialty pharma firm Cassiopea SpA had inked an exclusive licence and supply agreements for Winlevi cream. Sun Pharma has the exclusive right to commercialise Winlevi in the US and Canada. Cassiopea is the exclusive supplier of the product.

Competition	Winlevi showed improvements in acne and clearer skin after 3 months of treatment. There are currently no studies that directly compare Winlevi to other topical acne medications. But other acne medications like adapalene gel and tretinoin showed improvements in acne after 3 months of treatment in different studies.
Outlook	We expect Winlevi peak sales of USD 100mn based on efficacy and competitive landscape. Given the lower efficacy and majority of products going generic in the topical acne category we expect that market share gains will be limited.

Specialty pipeline of the company is as follows:

Molecule/Asset	Indication	Route of Administration	Mechanism of Action	Pre-clinical	Phase-1	Phase-2	Phase-3	Registration	Approved
Ilumya (tildrakizumab)	Psoriatic Arthritis	Injection	IL-23 Antagonist						
SCD-044	Psoriasis, Atopic Dermatitis	Oral	Selective SIPR1 Agonist						
MM-II	Treatment of pain in osteoarthritis	Injection	Liposomal intra -articular lubrication						
GL0034	Type 2 Diabetes	Injection	GLP-1R Agonist						

Source: Company

Tildrakizumab	Under Phase III clinical trial
Treatment	It is studied for the treatment of Psoriatic arthritis
Sales in FY26E	USD 90 Mn
Background	Tildrakizumab is already approved for the treatment of with moderate-to-severe plaque Psoriasis who are candidates for systemic therapy or phototherapy and is being investigated for psoriatic arthritis. Psoriatic arthritis, which affects up to 42 percent of people with plaque psoriasis, is an inflammatory condition that impacts both the joints and skin. It is painful, causes fatigue, and can lead to swelling and stiffness of the joints that may reduce range of motion. If left untreated, this chronic condition can lead to permanent joint damage.
Competition	The other drugs approved in this indication are Stelara, Simponi, Enbrel, Remicade etc which are already approved for plaque psoriasis and psoriatic arthritis etc.
Outlook	We expect Ilumya to garner sales of sales of USD 166 mn in FY26 from psoriatic arthritic indication based on efficacy and competitive landscape.

Total Population		2022	2023E	2024E	2025E	2026E	2027E
US							
Psoriatic arthritic patients (000)		2,040	2,081	2,122	2,165	2,208	2,252
(%) Increase		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
US Penetration (%)					3%	5%	7%
Patients on Tildra (000)		0	0	0	65	110	158
Average cost of therapy in USD					18,373	18,740	19,115
(%) Price increase					2.0%	2.0%	2.0%
Total US sales (USD mn)		0	0	0	119	207	301
Probability of success	**80%**						
Sales for Sun Pharma					**95**	**166**	**241**

Source: SMIFS Research

Fig 8: Peer Comparison

Company Name	Net Sales			EBITDA			PAT			EBITDA Margin %			PAT Margin %		
	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22
Ajanta Pharma Ltd	25,880	28,900	33,410	6,830	10,010	9,293	4,680	6,540	7,127	38.7	32.2	14.0	18.1	22.6	21.3
Alembic Pharmaceuticals Ltd	46,060	53,930	53,058	12,230	15,580	8,742	8290	11780	5,209	33.8	16.2	15.6	18.0	21.8	9.8
Alkem Laboratories Ltd	83,440	88,650	106,342	14,760	19,450	20,529	11270	15,850	16,574	23.3	23.2	10.6	13.5	17.9	15.6
Aurobindo Pharma Ltd	230,990	247,750	234,555	48,490	52,780	43,555	28450	53,350	27,476	22.8	17.6	12.1	12.3	21.5	11.7
Divis Labs	53,940	69,690	89,598	18,260	28,670	38,819	13,770	19,840	29,605	53.2	55.7	15.4	25.5	28.5	33.0
Ipca Labs	46,190	53,950	58,298	9,040	15,440	13,093	6,060	11,400	8,841	33.4	24.3	10.4	13.1	21.1	15.2
Sun Pharmaceuticals	**328,375**	**334,981**	**386,545**	**69,898**	**84,914**	**103,977**	**37,649**	**29,038**	**32,728**	**21.2**	**25.3**	**26.9**	**11.5**	**8.7**	**8.5**
Lupin Ltd	153,750	151,630	164,055	23,550	25,670	2,872	-2690	12170	-15,094	16.7	1.9	-1.6	-1.7	8.0	-9.2
Natco Pharma Ltd	19,150	20,520	19,448	5,830	6,060	2,635	4,610	4,410	1,700	31.6	12.8	23.7	24.1	21.5	8.7

Source: AceEquity, SMIFS Research

Company Name	Mcap Rs mn	CAGR FY19-22			ROE (%)			P/E			EV/EBITDA		
		Revenue	EBITDA	PAT	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22
Ajanta Pharma Ltd	149,689	17.6	17.9	22.6	27.0	32.0	22.7	25.5	23.7	21.0	15.2	14.9	14.3
Alembic Pharmaceuticals Ltd	143,845	10.5	0.0	-3.7	24.0	26.0	10.0	12.1	16.1	27.6	9.6	12.4	16.2
Alkem Laboratories Ltd	376,451	13.1	22.4	29.6	19.0	22.0	20.7	24.7	20.9	22.7	18.0	15.1	16.9
Aurobindo Pharma Ltd	310,519	6.2	3.3	5.1	19.0	18.0	11.8	8.5	9.7	11.3	5.3	9.0	6.4
Divis Labs	929,722	21.9	27.5	29.8	25.0	32.0	28.1	38.3	48.6	31.4	26.2	32.2	22.6
Ipca Labs	220,634	15.9	23.5	25.7	19.0	31.0	17.3	28.9	21.2	25.0	18.3	14.9	16.1
Sun Pharmaceuticals	**2,065,797**	**10**	**7.4**	**7.1**	**9.7**	**5.0**	**7.2**	**28.4**	**23.4**	**26.8**	**16.6**	**19.6**	**19.8**
Lupin Ltd	280,981	3.8	-51.8	-235.5	9.0	9.0	-11.6	-99.2	38.1	NA	10.3	18.3	72.5
Natco Pharma Ltd	126,220	-2.4	-30.8	-35.9	14.0	13.0	4.0	20.0	34.2	74.3	13.7	21.2	34.7

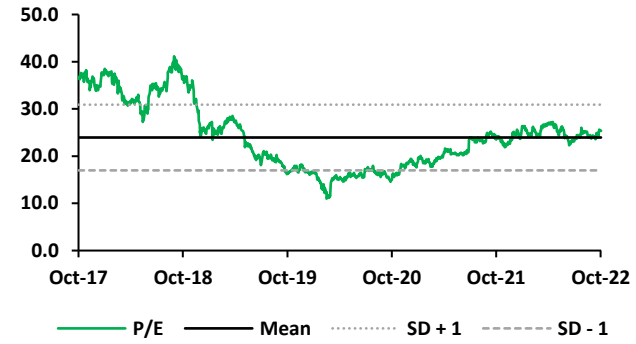
Source: AceEquity, SMIFS Research; 3 Year

Valuation and Recommendations

The speciality segment of the company looks attractive due to robust pipeline and increasing branded drugs prescriptions. With stabilization in specialty spends the company will benefit from operating leverage. The India business continues to grow at high single digit with increased market share. The company plans to ramp up in chronic and branded portfolio.

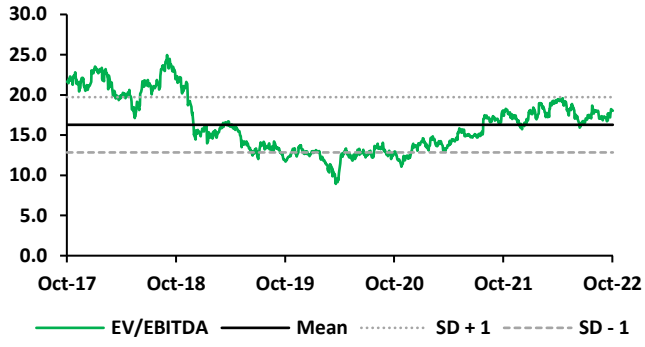
Based on SOTP valuation we arrive at target price of 1,080 (implied P/E multiple of 27) on its FY24E, offering 15% upside from current levels. Buy.

Fig 9: 1-year forward P/E



Source: AceEquity, SMIFS research, EPS is excluding the one off adjustments

Fig 10: 1-year forward EV/EBITDA



Source: AceEquity, SMIFS research

Fig 4: Key Assumptions

Revenue in INR Mn	FY20	FY21	FY22	FY23E	FY24E
India Formulations	97,102	103,432	127,593	137,801	148,825
% growth	*9%*	*6.5%*	*23.4%*	*8.0%*	*8.0%*
US Formulations	105,425	100,839	113,737	130,231	146,818
% growth	*-1%*	*-4.4%*	*12.8%*	*14.5%*	*12.7%*
ROW Formulations	45,210	48,191	54,545	60,252	66,277
% growth	*31%*	*6.6%*	*13.2%*	*10.5%*	*10.0%*
Emerging Markets	55,044	57,834	67,432	71,791	78,252
% growth	*3%*	*5.1%*	*16.6%*	*6.5%*	*9.0%*
API	19,159	19,504	18,354	20,557	23,024
% growth	*10%*	*1.8%*	*-5.9%*	*12.0%*	*12.0%*
Others	1,312	1,593	2,604	2,734	2,871
% growth	*5%*	*21.4%*	*63.5%*	*5.0%*	*5.0%*
Other operating revenues	5,123	3,590	2,281	2,964	3,262
% growth	*0%*	*-29.9%*	*-36.5%*	*29.9%*	*10.1%*
Total Revenue	**328,375**	**334,981**	**386,545**	**426,329**	**469,329**

Source: Company, SMIFS research

Revenue in USD Mn	FY20	FY21	FY22	FY23E	FY24E
Taro revenues	496	384	393	413	425
Specialty	243	332	541	643	761
Generics business	748	643	592	593	673
Total US Business	**1,487**	**1,359**	**1,526**	**1,648**	**1,858**

Source: Company, SMIFS research

Quarterly financials, operating metrics & key performance indicators

Fig 11: Quarterly Financials

Y/E March (Rs mn)	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Net Sales	**85531**	**88368**	**85230**	**97187**	**96259**	**98631**	**94468**	**107618**
Raw Materials	21463	23334	22408	26494	25219	26406	25396	29002
Employee Costs	17053	17205	16775	17587	18063	18509	18849	20749
Other Expenditure	25082	23768	25563	24895	26679	27652	26819	29023
EBITDA	**21933**	**24061**	**20484**	**28211**	**26299**	**26063**	**23404**	**28844**
Depreciation	4986	5319	5535	5032	5304	5537	5565	5880
Interest	333	261	301	351	360	190	373	137
Other Income	2558	3150	1110	1525	2229	4325	1136	21
Exceptional items	0	0	6728	6311	0	0	39357	0
PBT	**19172**	**21631**	**9030**	**18042**	**22865**	**24662**	**-20756**	**22848**
Tax	-312	2449	550	3956	1978	3354	1468	1890
Tax rate (%)	-1.6%	11.3%	6.1%	21.9%	8.6%	13.6%	-7.1%	8.3%
PAT before minority	**19,484**	**19,181**	**8,480**	**14,087**	**20,887**	**21,308**	**-22,223**	**20,959**
Minority Interest	1356	656	-462	-355	417	720	549	350
Consol. PAT	18128	18525	8942	14442	20470	20588	-22772	20609
Adjusted PAT	**18128**	**18525**	**15670**	**20752**	**20470**	**20588**	**16585**	**20609**
YoY Growth (%)								
Revenue	5.3	8.4	4.1	28.1	12.5	11.6	10.8	10.7
EBITDA	22.5	30.7	50.3	53.0	19.9	8.3	14.3	2.2
PAT	66.9	87.4	71.5	-158.0	7.2	11.1	-362.1	48.8
QoQ Growth (%)								
Revenue	12.8	3.3	-3.6	14.0	-1.0	2.5	-4.2	13.9
EBITDA	19.0	9.7	-14.9	37.7	-6.8	-0.9	-10.2	23.2
PAT	-180.2	-1.6	-55.8	66.1	48.3	2.0	-204.3	-194.3
Margin (%)								
RMC/revenue (%)	25.1	26.4	26.3	27.3	26.2	26.8	26.9	26.9
Gross margin (%)	74.9	73.6	73.7	72.7	73.8	73.2	73.1	73.1
Employee cost/revenue (%)	19.9	19.5	19.7	18.1	18.8	18.8	20.0	19.3
Other expenses/revenue (%)	29.3	26.9	30.0	25.6	27.7	28.0	28.4	27.0
EBITDA margin (%)	25.6	27.2	24.0	29.0	27.3	26.4	24.8	26.8
PAT margin (%)	22.8	21.7	9.9	14.5	21.7	21.6	-23.5	19.5

Source: Company, SMIFS research

Financial Statements

Income Statement

YE March (Rs mn)	FY20	FY21	FY22	FY23e	FY24e
Revenues	**328,375**	**334,981**	**386,545**	**426,329**	**469,329**
% Growth	13.0%	2.0%	15.4%	10.3%	10.1%
Raw Materials	92,305	86,901	103,515	110,922	116,517
% of sales	28.1%	25.9%	26.8%	26.0%	24.8%
Personnel	63,624	68,622	73,008	80,439	87,621
% of sales	19.4%	20.5%	18.9%	18.9%	18.7%
R&D Expenses	19,252	21,028	21,325	31,752	34,955
% of sales	5.9%	6.3%	5.5%	7.4%	7.4%
Other Expenses	83,298	73,516	84,719	93,140	102,535
% of sales	25.4%	21.9%	21.9%	21.8%	21.8%
EBITDA	**69,898**	**84,914**	**103,977**	**110,075**	**127,702**
EBITDA Margin (%)	21.3%	25.3%	26.9%	25.8%	27.2%
Depreciation & Amortization	20,528	20,800	21,437	22,785	24,182
EBIT	**49,370**	**64,114**	**82,540**	**87,291**	**103,520**
Finance cost	3,027	1,414	1,274	765	780
PBT From Operations	**46,343**	**62,700**	**81,266**	**86,526**	**102,740**
Other Income	6,360	8,355	9,215	9,445	9,701
Exceptional Income/(Expense)	-2606	-43061	-45668	0	0
PBT	**50,096**	**27,994**	**44,814**	**95,971**	**112,441**
Tax-Total	8,228	5,147	10,755	12,476	15,742
Tax Rate (%) - Total	16.4%	18.4%	24.0%	13.0%	14.0%
PAT	**41,868**	**22,847**	**34,059**	**83,495**	**96,699**
PAT Margin	12.8%	6.8%	8.8%	19.6%	20.6%
% Growth	30.5%	-45.4%	49.1%	145.2%	15.8%
Share of Associates	-148	-123	-165	-150	-150
Minority Interest	4,070	-6,315	1,166	1,167	1,168
Consolidated PAT	**37,649**	**29,038**	**32,728**	**82,178**	**95,381**
Consolidated PAT Margins	11.5%	8.7%	8.5%	19.3%	20.3%
Adjusted PAT	**40,256**	**72,100**	**78,396**	**82,178**	**95,381**

Source: Company, SMIFS research estimates

Key Ratios

YE March	FY20	FY21	FY22	FY23e	FY24e
Growth Ratios (%)					
Revenue	12.7	2.5	16.0	10.2	10.1
EBITDA	10.8	21.5	22.5	5.9	16.0
PAT	3.8	79.1	8.7	4.8	16.1
Margin Ratios (%)					
EBITDA	21.3	25.3	26.9	25.8	27.2
PBT from operations	16.0	21.2	23.4	22.5	24.0
Consol. PAT	13.0	6.9	8.9	19.7	20.7
Return Ratios (%)					
ROE	9.7	5.0	7.2	16.3	16.7
ROCE	9.1	11.3	15.1	14.0	14.5
Turnover Ratios (days)					
Asset Turnover (x)	1.7	1.7	1.8	1.8	1.9
Debtors	106	100	101	105	106
Inventory	88	98	85	86	86
Creditors	40	43	42	44	45
Cash conversion cycle	154	155	143	147	147
Solvency Ratio (x)					
Net debt-equity	0.0	-0.1	-0.1	-0.2	-0.2
Debt-equity	0.2	0.1	0.0	0.0	0.0
Interest coverage ratio	16	45	65	114	133
Current Ratio	2.1	1.9	2.0	2.4	2.7
Per share Ratios (Rs)					
Adjusted EPS	16.8	30.1	32.7	34.3	39.8
Reported EPS	17.5	9.5	14.2	34.3	39.8
DPS	0.0	5.7	3.0	8.7	10.1
Valuation (x)					
Adjusted P/E	28.4	23.4	26.8	27.5	23.7
P/BV	3.1	4.4	4.3	4.2	3.7
EV/EBITDA	16.6	19.6	19.8	19.8	16.6

Source: Company, SMIFS research estimates

Balance Sheet

YE March (Rs mn)	FY20	FY21	FY22	FY23e	FY24e
Sources of funds					
Capital	2,399	2,399	2,399	2,399	2,399
Reserves & Surplus	450,245	462,229	477,713	539,686	611,460
Shareholders' Funds	**452,645**	**464,628**	**480,112**	**542,086**	**613,859**
Minority Interest	**38,602**	**30,171**	**30,549**	**30,549**	**30,549**
Total Loan Funds	**83,149**	**38,687**	**12,903**	**12,747**	**13,001**
Deferred tax liabilities	581	445	319	319	319
Non-Current Liabilities	13,343	10,986	10,196	10,696	11,234
Total Liabilities	**682,525**	**676,667**	**697,999**	**768,248**	**848,962**
Application of funds					
Gross Block	286,345	292,914	308,582	329,032	350,532
Accumulated Dep.	122,691	140,260	157,061	185,505	213,480
Net Block	163,655	152,653	151,521	143,527	137,052
Capital WIP	12,203	15,668	20,450	21,500	21,500
Net Assets	**175,858**	**168,322**	**171,971**	**165,027**	**158,552**
Investments	52,458	64,824	52,147	54,754	57,492
Goodwill	64,815	62,876	65,495	65,495	65,495
Other non-current assets	72,853	76,225	58,237	58,307	58,379
Total Non-Current Assets	**365,983**	**372,247**	**347,849**	**343,582**	**339,917**
Inventories	78,750	89,970	89,968	99,752	109,813
Sundry Debtors	94,212	90,614	105,929	121,790	135,351
Cash & Bank Balances	64,876	64,455	50,334	94,836	151,023
Loans and Advances	1,484	560	1,700	1,734	1,768
Other current Assets	77,220	58,821	102,220	106,554	111,090
Total Current Assets	**316,542**	**304,421**	**350,150**	**424,666**	**509,045**
Sundry Creditors	**35,836**	**39,737**	**44,793**	**51,036**	**57,460**
Other Current Liabilities	20,005	46,188	27,648	28,424	29,223
Provisions	38,364	45,827	91,478	92,393	93,317
Total Current Liabilities	**94,205**	**131,751**	**163,920**	**171,853**	**180,000**
Net Current Assets	**222,337**	**172,670**	**186,230**	**252,813**	**329,045**
Total Assets	**682,525**	**676,667**	**697,999**	**768,248**	**848,962**

Source: Company, SMIFS research estimates

Cash Flow

YE March (Rs mn)	FY20	FY21	FY22	FY23e	FY24e
Operating profit before WC changes	**70,022**	**46,092**	**64,563**	**119,521**	**137,403**
Net chg in working capital	8985	25641	15591	-17835	-15570
Cash flow from operating activities (a)	**65,548**	**61,704**	**89,845**	**89,210**	**106,091**
Adj. OCF (OCF - Interest)	62520	60289	88572	88445	105311
Capital expenditure	-14,500	-10,730	-14,344	-15,840	-17,707
Free Cash Flow	48,021	49,559	74,228	72,605	87,604
Cash flow from investing activities (b)	**-25,888**	**5,362**	**-57,247**	**-22,265**	**-24,453**
Cash flow from financing activities (c)	**-57,151**	**-59,805**	**-51,935**	**-22,443**	**-25,451**
Net chg in cash (a+b+c)	**-17,492**	**7,261**	**-19,337**	**44,502**	**56,187**
Opening cash balance	**70,623**	**56,766**	**62,730**	**50,334**	**94,836**
Adjustments	-1,297	1,689	0	**0**	**0**
Ending cash balance	**64,876**	**64,455**	**50,334**	**94,836**	**151,023**

Source: Company, SMIFS research estimates

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