

May 23, 2024

Q4FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current	Previous		
	FY25E	FY26E	FY25E	FY26E
Rating	BUY	BUY		
Target Price	1,710	1,640		
Sales (Rs. m)	5,32,394	5,91,592	5,36,409	5,95,968
% Chng.	(0.7)	(0.7)		
EBITDA (Rs. m)	1,41,663	1,67,165	1,49,128	1,74,116
% Chng.	(5.0)	(4.0)		
EPS (Rs.)	44.0	52.9	45.8	54.7
% Chng.	(4.0)	(3.3)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. bn)	439	485	532	592
EBITDA (Rs. bn)	118	130	142	167
Margin (%)	26.8	26.8	26.6	28.3
PAT (Rs. bn)	85	96	106	127
EPS (Rs.)	36.6	41.8	44.0	52.9
Gr. (%)	14.1	14.4	5.2	20.3
DPS (Rs.)	13.5	14.0	16.4	16.4
Yield (%)	0.9	0.9	1.1	1.1
RoE (%)	16.3	16.0	15.8	17.0
RoCE (%)	16.6	16.2	16.6	18.4
EV/Sales (x)	8.4	7.5	6.8	6.0
EV/EBITDA (x)	31.4	27.8	25.4	21.1
PE (x)	42.1	36.8	35.0	29.1
P/BV (x)	6.6	5.8	5.3	4.7

Key Data	SUN.BO SUNP IN
52-W High / Low	Rs.1,639 / Rs.923
Sensex / Nifty	74,221 / 22,598
Market Cap	Rs.3,693bn / \$ 44,347m
Shares Outstanding	2,399m
3M Avg. Daily Value	Rs.3913.56m

Shareholding Pattern (%)

Promoter's	54.48
Foreign	17.72
Domestic Institution	18.83
Public & Others	8.97
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.1)	27.8	64.2
Relative	(0.8)	13.7	37.1

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Stepping up specialty investments in FY25

Quick Pointers:

- Global specialty sales stood at \$271mn; up 14% YoY adjusted for milestone.
- Guided for high single digit revenue growth and 8-10% R&D spend in FY25.

Our FY25/FY26 earnings estimates stands marginally reduced by 2% as we factor in higher R&D spend. Sun Pharma (SUNP) Q4FY24 EBIDTA was in line with our estimate, aided by domestic formulation and specialty sales. Overall specialty sales, GMs continue to remain healthy. Over last few years SUNP dependency on US generics has reduced and company's growth is more functional on specialty, RoW and domestic pharma business that has strong growth visibility. Though FY25 expenses may remain elevated given company are in investment phase to ramp up specialty pipeline; launch of deuruxolitinib along with progress of other pipelines provides visibility to SUNP's specialty pipeline beyond FY25. We maintain 'BUY' rating at TP of Rs.1710 based on 32x FY26E earnings. SUNP remains our top pick in large cap space.

Healthy revenue growth aided by specialty & domestic formulation: Revenues came in at Rs 120bn up 9.6% YoY (down 3% QoQ) vs our est of Rs 121bn. Miss was on account of lower RoW revenues. Ex Taro revenues were up 10% YoY. Domestic formulation growth was strong at 10% YoY. US sales came in \$476mn (\$477mn in Q3FY24). Adj for milestone in Q3, US revenues were up 4% QoQ. Taro revenues were up 13% YoY. Specialty sales adjusted for milestone was up 14% YoY (down 2% QoQ) to \$271mn. RoW growth stood at 3% while EMs growth was higher at 12% YoY. API sales were up by 8% YoY.

In-line EBIDTA, higher other income and lower tax aided PAT: EBIDTA came in at Rs 31bn (up 11% YoY) in line with our estimates. OPM came in at 25.8% vs 27.1% in Q3FY24. GMs came in at 79.8%, up 240bps QoQ. Ex Taro GMs improved by 150bps QoQ. R&D cost came in higher at Rs9bn, 7.5% of sales, up 35% YoY & 9% QoQ. Ex R&D Other expenses came in higher at Rs33bn; up 7% QoQ. Other income came in higher at Rs 6bn against Rs 2.5bn QoQ. Tax came in lower at 5%. Reported PAT of Rs28bn; above our estimates aided by higher other income and lower tax.

Key concall takeaways: Growth was driven by specialty products like Ilumya, Cequa, Winlevi, and Odamzo. ILumya holds 1% of the biologics market in psoriasis in US. Contribution from gRevlimid was higher in Q4 as compared to Q3. Product and geographical mix supported gross margins. Supplies from Mohali have already resumed, but gradual improvement expected. Launched 2 generic products in the US and 9 new products in India in Q4FY24. Deuruxolitinib PDUFA date in July 2024 and mgmt. confident of receiving approval. Specialty R&D accounted for 42% of total R&D spend for the quarter. Mgmt cited that its specialty product Nildegly would be filed with European authorities on June 3, 2024. Further it intends to license GLP-1 from innovator companies. Its own GLP-1 has completed phase 1 trial. Nigeria related forex loss was due to sharp currency depreciation, booked MTM loss against payables. **FY25 Guidance:** Expect high single-digit top-line growth. R&D investments will be 8%-10% of sales. Given company is in investment phase; expenses likely to remain elevated to ramp up specialty business

Exhibit 1: 4QFY24 Result Overview (Rs mn): EBITDA in line, PAT aided by higher other income & low tax

Y/e March	Q4FY24	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Sales	1,19,829	1,09,307	9.6	1,23,807	(3.2)	4,84,969	4,38,857	10.5
Raw Material	23,804	22,502	5.8	27,369	(13.0)	1,06,626	1,06,622	0.0
<i>% of Net Sales</i>	<i>19.9</i>	<i>20.6</i>		<i>22.1</i>		<i>22.0</i>	<i>24.3</i>	
Personnel Cost	22,993	21,796	5.5	23,633	(2.7)	94,291	82,960	13.7
<i>% of Net Sales</i>	<i>19.2</i>	<i>19.9</i>		<i>19.1</i>		<i>19.4</i>	<i>18.9</i>	
Others	42,116	36,716	14.7	39,282	7.2	1,54,182	1,31,546	17.2
<i>% of Net Sales</i>	<i>35.1</i>	<i>33.6</i>		<i>31.7</i>		<i>31.8</i>	<i>30.0</i>	
Total Expenditure	88,914	81,014	9.8	90,284	(1.5)	3,55,099	3,21,128	10.6
EBITDA	30,915	28,293	9.3	33,523	(7.8)	1,29,870	1,17,729	10.3
<i>Margin (%)</i>	<i>25.8</i>	<i>25.9</i>		<i>27.1</i>		<i>26.8</i>	<i>26.8</i>	
Depreciation	6,504	6,715	(3.2)	6,221	4.5	25,566	25,294	1.1
EBIT	24,412	21,578	13.1	27,301	(10.6)	1,04,304	92,435	12.8
Other Income	6,059	3,733	62.3	2,502	142.2	13,542	6,345	113.4
Interest	736	927	(20.7)	347	111.8	2,385	1,720	38.6
PBT	29,735	24,383	22.0	29,456	0.9	1,15,461	97,060	19.0
Total Taxes	1,489	2,229	(33.2)	4,323	(65.6)	14,395	8,476	69.8
<i>ETR (%)</i>	<i>5.0</i>	<i>9.1</i>		<i>14.7</i>		<i>12.5</i>	<i>8.7</i>	
PAT	28,246	22,154	27.5	25,133	12.4	1,01,066	88,584	14.1
Minority Interest	120	323	(62.8)	443	NA	721	873	(17.4)
Share in loss of associates	-	-		-		-	-	
Reported PAT	28,126	21,831	28.8	24,690	13.9	1,00,346	87,711	14.4
Exceptional items	1,580	1,986		(548)		4,582	2,976	
Adj Pat	26,546	19,845	33.8	25,238	5.2	95,764	84,736	13.0

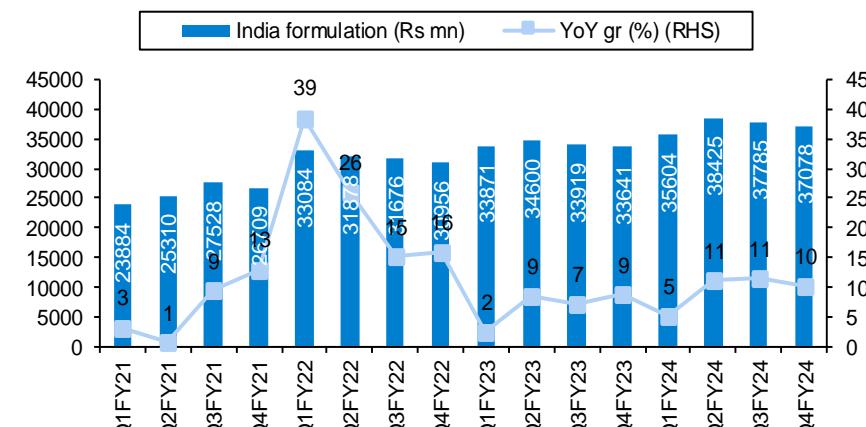
Source: Company, PL

Exhibit 2: Performance driven by Domestic formulation biz

Major sources of income	Q4FY24	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
API	4,158	3,852	7.9	4,660	(10.8)	19,186	19,724	(2.7)
<i>% of Net Sales</i>	<i>3.5</i>	<i>3.6</i>		<i>3.8</i>		<i>4.0</i>	<i>4.6</i>	
Formulation	1,13,261	1,02,932	10.0	1,16,263	(2.6)	4,55,708	4,10,785	10.9
<i>% of Net Sales</i>	<i>95.9</i>	<i>96.0</i>		<i>95.6</i>		<i>95.4</i>	<i>94.9</i>	
India	37,078	33,641	10.2	37,785	(1.9)	1,48,892	1,36,031	9.5
<i>% of Net Sales</i>	<i>31.4</i>	<i>31.4</i>		<i>31.1</i>		<i>31.2</i>	<i>31.4</i>	
International	76,182	69,291	9.9	78,478	(2.9)	3,06,815	2,74,755	11.7
<i>% of Net Sales</i>	<i>64.5</i>	<i>64.6</i>		<i>64.6</i>		<i>64.2</i>	<i>63.5</i>	
US formulations	39,544	35,343	11.9	39,736	(0.5)	1,53,493	1,35,353	13.4
<i>% of Net Sales</i>	<i>33.5</i>	<i>33.0</i>		<i>32.7</i>		<i>32.1</i>	<i>31.3</i>	
ROW formulations	36,638	33,948	7.9	38,743	(5.4)	1,53,323	1,39,402	10.0
<i>% of Net Sales</i>	<i>31.0</i>	<i>31.7</i>		<i>31.9</i>		<i>32.1</i>	<i>32.2</i>	
Others	715	471	51.7	644	10.9	2,690	2,279	18.0
Total Sales	1,18,133	1,07,256	10.1	1,21,568	(2.8)	4,77,584	4,32,788	10.4

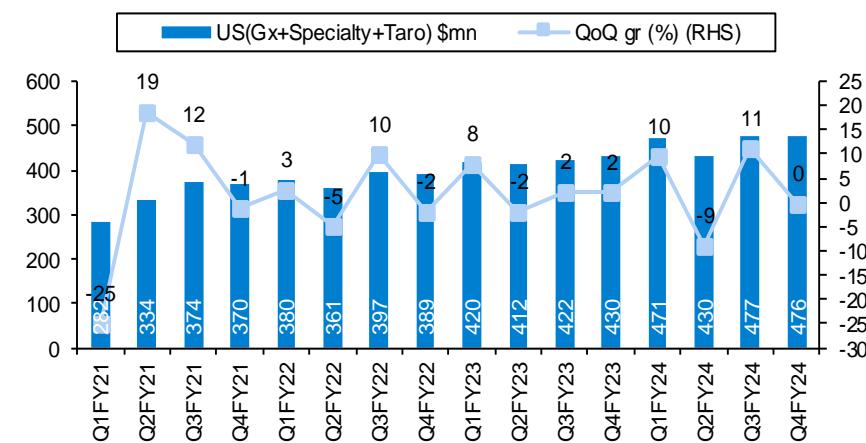
Source: Company, PL

Exhibit 3: Steady performance from domestic formulation biz



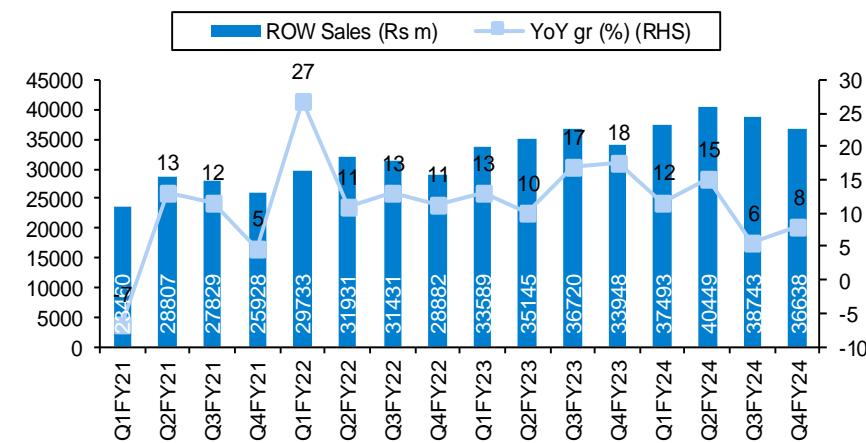
Source: Company, PL

Exhibit 4: Specialty sales adj for milestone was up 14% YoY



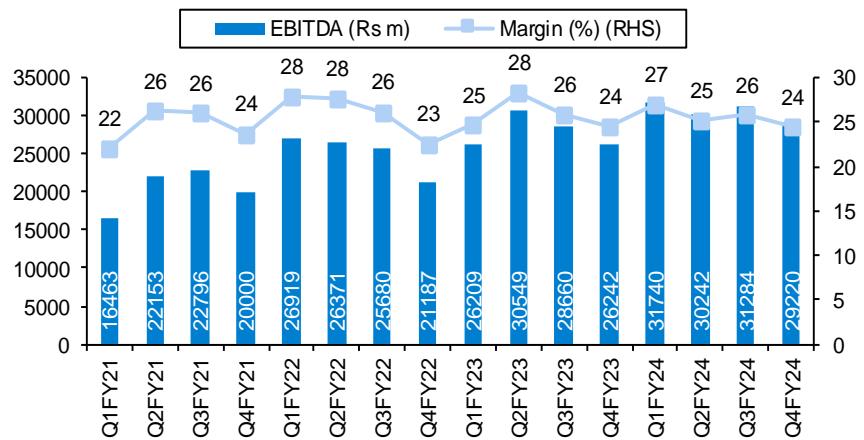
Source: Company, PL

Exhibit 5: Slowdown in RoW markets impacted QoQ performance



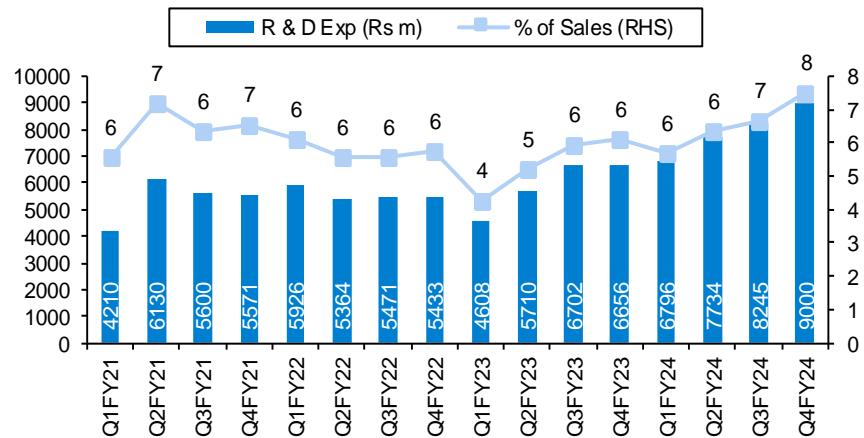
Source: Company, PL

Exhibit 6: Other exp continue to remain high, R&D spend increases



Source: Company, PL

Exhibit 7: Higher R&D spend YoY



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	4,38,857	4,84,969	5,32,394	5,91,592
YoY gr. (%)	13.5	10.5	9.8	11.1
Cost of Goods Sold	1,06,622	1,06,626	1,16,304	1,29,223
Gross Profit	3,32,235	3,78,342	4,16,090	4,62,369
Margin (%)	75.7	78.0	78.2	78.2
Employee Cost	82,960	94,291	1,01,834	1,09,981
Other Expenses	1,31,546	1,54,182	1,72,593	1,85,223
EBITDA	1,17,729	1,29,870	1,41,663	1,67,165
YoY gr. (%)	14.9	10.3	9.1	18.0
Margin (%)	26.8	26.8	26.6	28.3
Depreciation and Amortization	25,294	25,566	26,845	28,376
EBIT	92,435	1,04,304	1,14,818	1,38,790
Margin (%)	21.1	21.5	21.6	23.5
Net Interest	1,720	2,385	2,000	2,000
Other Income	6,345	13,542	11,200	12,900
Profit Before Tax	97,060	1,15,461	1,24,018	1,49,690
Margin (%)	22.1	23.8	23.3	25.3
Total Tax	8,476	14,395	17,621	21,868
Effective tax rate (%)	8.7	12.5	14.2	14.6
Profit after tax	88,584	1,01,066	1,06,397	1,27,822
Minority interest	394	337	400	400
Share Profit from Associate	(479)	(384)	(400)	(400)
Adjusted PAT	84,736	95,764	1,05,597	1,27,022
YoY gr. (%)	158.9	13.0	10.3	20.3
Margin (%)	19.3	19.7	19.8	21.5
Extra Ord. Income / (Exp)	2,976	4,582	-	-
Reported PAT	87,711	1,00,346	1,05,597	1,27,022
YoY gr. (%)	14.1	14.4	5.2	20.3
Margin (%)	20.0	20.7	19.8	21.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	87,711	1,00,346	1,05,597	1,27,022
Equity Shares O/s (m)	2,399	2,399	2,399	2,399
EPS (Rs)	36.6	41.8	44.0	52.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	3,83,736	4,00,716	4,22,716	4,47,716
Tangibles	2,49,878	2,60,935	2,75,261	2,91,540
Intangibles	1,33,858	1,39,781	1,47,455	1,56,176
Acc: Dep / Amortization	1,86,564	2,12,130	2,38,975	2,67,351
Tangibles	1,27,426	1,44,888	1,63,224	1,82,605
Intangibles	59,138	67,242	75,751	84,746
Net fixed assets	1,97,172	1,88,586	1,83,741	1,80,366
Tangibles	1,22,452	1,16,046	1,12,037	1,08,935
Intangibles	74,720	72,539	71,704	71,430
Capital Work In Progress	9,634	11,077	11,077	11,077
Goodwill	87,127	85,990	85,990	85,990
Non-Current Investments	1,48,301	1,50,258	1,50,258	1,50,258
Net Deferred tax assets	31,326	39,486	39,486	39,486
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	1,05,131	98,683	1,31,148	1,45,898
Trade receivables	1,14,385	1,12,494	1,45,721	1,62,109
Cash & Bank Balance	57,703	1,05,207	1,07,394	1,62,517
Other Current Assets	55,922	60,640	60,640	60,640
Total Assets	7,75,794	8,13,592	8,76,693	9,59,650
Equity				
Equity Share Capital	2,399	2,399	2,399	2,399
Other Equity	5,57,555	6,34,268	7,00,562	7,88,280
Total Networth	5,59,954	6,36,668	7,02,961	7,90,680
Non-Current Liabilities				
Long Term borrowings	-	13	13	13
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	61,979	28,444	13,444	(1,556)
Trade payables	56,815	56,533	65,574	72,949
Other current liabilities	95,170	97,029	98,994	1,01,058
Total Equity & Liabilities	7,75,794	8,13,592	8,76,693	9,59,650

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	97,060	1,15,461	1,24,018	1,49,690
Add. Depreciation	25,294	25,566	26,845	28,376
Add. Interest	1,720	2,385	2,000	2,000
Less Financial Other Income	6,345	13,542	11,200	12,900
Add. Other	(7,262)	(16,989)	-	-
Op. profit before WC changes	1,16,812	1,26,423	1,52,863	1,80,065
Net Changes-WC	(45,241)	10,621	(54,751)	(21,771)
Direct tax	(15,098)	(15,694)	(17,621)	(21,868)
Net cash from Op. activities	56,473	1,21,350	80,491	1,36,426
Capital expenditures	(67,714)	(23,451)	(22,000)	(25,000)
Interest / Dividend Income	-	-	-	-
Others	(10,674)	(10,034)	-	-
Net Cash from Invt. activities	(78,388)	(33,486)	(22,000)	(25,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	51,297	(33,899)	(15,000)	(15,000)
Dividend paid	(25,189)	(28,982)	(39,304)	(39,304)
Interest paid	(1,720)	(2,385)	(2,000)	(2,000)
Others	4,897	36,371	-	-
Net cash from Fin. activities	29,285	(28,895)	(56,304)	(56,304)
Net change in cash	7,370	58,970	2,187	55,123
Free Cash Flow	35,617	99,331	58,491	1,11,426

Source: Company Data, PL Research
Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	36.6	41.8	44.0	52.9
CEPS	45.9	50.6	55.2	64.8
BVPS	233.4	265.4	293.0	329.5
FCF	14.8	41.4	24.4	46.4
DPS	13.5	14.0	16.4	16.4
Return Ratio(%)				
RoCE	16.6	16.2	16.6	18.4
ROIC	12.9	14.7	14.9	17.4
RoE	16.3	16.0	15.8	17.0
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.1)	(0.1)	(0.2)
Net Working Capital (Days)	135	116	145	145
Valuation(x)				
PER	42.1	36.8	35.0	29.1
P/B	6.6	5.8	5.3	4.7
P/CEPS	45.9	50.6	55.2	64.8
EV/EBITDA	31.4	27.8	25.4	21.1
EV/Sales	8.4	7.5	6.8	6.0
Dividend Yield (%)	0.9	0.9	1.1	1.1

Source: Company Data, PL Research
Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	1,19,408	1,21,924	1,23,807	1,19,829
YoY gr. (%)	11.0	11.3	10.1	9.6
Raw Material Expenses	27,582	27,871	27,369	23,804
Gross Profit	91,827	94,053	96,438	96,025
Margin (%)	76.9	77.1	77.9	80.1
EBITDA	33,297	32,135	33,523	30,915
YoY gr. (%)	21.6	0.5	11.5	9.3
Margin (%)	27.9	26.4	27.1	25.8
Depreciation / Depletion	6,513	6,328	6,221	6,504
EBIT	26,784	25,807	27,301	24,412
Margin (%)	22.4	21.2	22.1	20.4
Net Interest	809	493	347	736
Other Income	2,044	2,936	2,502	6,059
Profit before Tax	28,020	28,250	29,456	29,735
Margin (%)	23.5	23.2	23.8	24.8
Total Tax	4,681	3,901	4,323	1,489
Effective tax rate (%)	16.7	13.8	14.7	5.0
Profit after Tax	23,339	24,349	25,133	28,246
Minority interest	(95)	253	443	120
Share Profit from Associates	-	-	-	-
Adjusted PAT	20,225	23,755	25,238	26,546
YoY gr. (%)	(1.9)	5.0	16.5	33.8
Margin (%)	16.9	19.5	20.4	22.2
Extra Ord. Income / (Exp)	3,208	341	(548)	1,580
Reported PAT	23,434	24,096	24,690	28,126
YoY gr. (%)	22.4	(3.8)	13.8	28.8
Margin (%)	19.6	19.8	19.9	23.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	23,434	24,096	24,690	28,126
Avg. Shares O/s (m)	2,399	2,399	2,399	2,399
EPS (Rs)	9.8	10.0	10.3	11.7

Source: Company Data, PL Research
Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
India Formulations	1,36,031	1,48,893	1,63,782	1,81,798
US Formulations	1,35,353	1,53,493	1,65,410	1,82,114
ROW Formulations	1,39,402	1,53,323	1,71,722	1,94,045
APIs	19,724	19,187	20,721	22,379

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-24	BUY	1,640	1,609
2	01-Feb-24	BUY	1,640	1,415
3	08-Jan-24	BUY	1,280	1,300
4	02-Nov-23	BUY	1,280	1,116
5	07-Oct-23	BUY	1,265	1,127
6	03-Aug-23	BUY	1,265	1,141
7	06-Jul-23	BUY	1,140	1,043
8	28-May-23	BUY	1,140	970

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	7,050	6,259
2	Aster DM Healthcare	BUY	515	457
3	Aurobindo Pharma	Accumulate	1,120	1,124
4	Cipla	Accumulate	1,405	1,340
5	Divi's Laboratories	Reduce	3,150	3,748
6	Dr. Reddy's Laboratories	Reduce	5,700	6,258
7	Eris Lifesciences	BUY	1,100	851
8	Fortis Healthcare	BUY	480	437
9	Glenmark Pharmaceuticals	Reduce	570	1,017
10	HealthCare Global Enterprises	BUY	420	368
11	Indoco Remedies	Accumulate	335	320
12	Ipca Laboratories	Hold	1,060	1,315
13	J.B. Chemicals & Pharmaceuticals	BUY	1,920	1,774
14	Jupiter Life Line Hospitals	BUY	1,360	1,275
15	Krishna Institute of Medical Sciences	BUY	2,100	1,950
16	Lupin	Hold	1,675	1,611
17	Max Healthcare Institute	BUY	925	805
18	Narayana Hrudayalaya	BUY	1,435	1,286
19	Sun Pharmaceutical Industries	BUY	1,640	1,609
20	Sunteck Realty	BUY	565	452
21	Torrent Pharmaceuticals	BUY	2,700	2,577
22	Zydus Lifesciences	Accumulate	1,130	1,104

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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