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SUN PHARMA

2nd December, 2024

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India's Best Performing and Most Customer Centric PMS

About the Company

Sun Pharmaceutical Industries Limited, commonly referred to as Sun Pharma, stands as a global leader in the pharmaceutical sector, renowned for its commitment to innovation, quality, and accessibility. Established in 1983, the company has grown to become the largest pharmaceutical company in India and ranks among the top 13 generic pharmaceutical companies globally. With operations spanning over 100 countries and a workforce exceeding 43,000, Sun Pharma has consistently focused on improving lives through cutting-edge research, diverse product offerings, and robust global distribution channels.

The company's portfolio is a testament to its adaptability and foresight, encompassing a mix of specialty products, generics, branded generics, active pharmaceutical ingredients (APIs), and over-the-counter (OTC) medicines. By prioritizing patient needs and investing significantly in research and development (R&D), Sun Pharma has not only built a reputation for excellence but has also ensured its competitive edge in a dynamic and highly regulated industry.

Stock Data	
CMP (02-12-2024)	Rs. 1808.55
52 Week High/Low	1960.35/1560.85
Face Value	Rs. 1
Market Cap (In Crs)	Rs. 428041
NSE	SUNPHARMA
BSE	524715
Bloomberg	SUNP:IN
Sector	Pharmaceuticals

Shareholding Pattern (in %)		
Metrics	Mar 2024	Mar 2023
Promoter	54.48%	54.48%
FII	17.72%	16.88%
DII	18.71%	19.18%
Public	8.97%	9.38%

Price Performance (in%)			
(%)	1M	6M	1Yr
SUNPHARMA	(6.63 %)	21.29%	49.14%
Nifty 50	(0.87 %)	5.41%	21.30%

Key Ratios	
P/E	38.20
EV / EBITDA	26.7
Debt To Equity	0.04
ROE	16.70%
ROCE	17.30%
Dividend Yield	0.78%

Historical Background & Key Milestones

Foundation and Early Growth: Founded in 1983 by Dilip Shanghvi, Sun Pharma began with a modest vision to provide affordable and quality medicines in India. The company initially targeted psychiatry products, a niche segment that had significant unmet needs at the time. This focused approach helped Sun Pharma establish itself as a trusted name among healthcare professionals in India. As the company gained traction, it rapidly diversified its product portfolio. In the late 1980s and early 1990s, Sun Pharma expanded into cardiology, neurology, and gastroenterology, leveraging its growing expertise in chronic care. By the mid-1990s, the company had carved out a strong presence in India, with a reputation for developing effective formulations backed by robust quality standards.

Strategic Initiatives in Early Growth

Building a Strong Product Portfolio: Sun Pharma focused on developing complex generics and branded generics, catering to chronic therapeutic segments such as diabetes, cardiovascular diseases, and psychiatric disorders.

Investment in Manufacturing Capabilities: Early investments in state-of-the-art manufacturing facilities laid the foundation for future scalability and compliance with global quality standards.

Global Expansion: Sun Pharma's growth trajectory took a decisive turn in the 1990s when it began exploring international markets. Recognizing the potential of globalization, the company embarked on a series of strategic initiatives that established its presence in over 100 countries.

Key Phases of International Expansion

Early Forays into Export Markets (1990s): Sun Pharma began exporting its formulations to key emerging markets in Asia and Africa, where the demand for affordable generics was growing. These regions provided a fertile ground for the company to test its global aspirations.

Strategic Acquisitions to Accelerate Growth (2000s):

The 2000s marked a period of aggressive expansion through acquisitions. Notable deals included:

Taro Pharmaceuticals (2010): Acquiring Taro Pharmaceuticals, a specialty pharmaceutical company in Israel, gave Sun Pharma a strong foothold in the US dermatology market. This acquisition expanded Sun Pharma's product portfolio and provided access to critical manufacturing and R&D capabilities.

Ranbaxy Laboratories (2015): The acquisition of Ranbaxy Laboratories for $4 billion was a landmark moment in Sun Pharma's history. This merger created the largest pharmaceutical company in India and significantly bolstered its global footprint. Ranbaxy's established networks in over 50 countries and its robust generics portfolio complemented Sun Pharma's growth strategy.

Establishing a Presence in Key Developed Markets: With these acquisitions, Sun Pharma not only entered but also gained competitive advantages in developed markets like the United States, Canada, and Western Europe. Today, the US accounts for over 30% of the company's consolidated revenues.

Innovation and Specialization

Recognizing the need to diversify its offerings and address unmet medical needs, Sun Pharma entered the specialty pharmaceutical segment. This strategic pivot began with the acquisition of DUSA Pharmaceuticals in 2012, which marked its entry into dermatology and oncology.

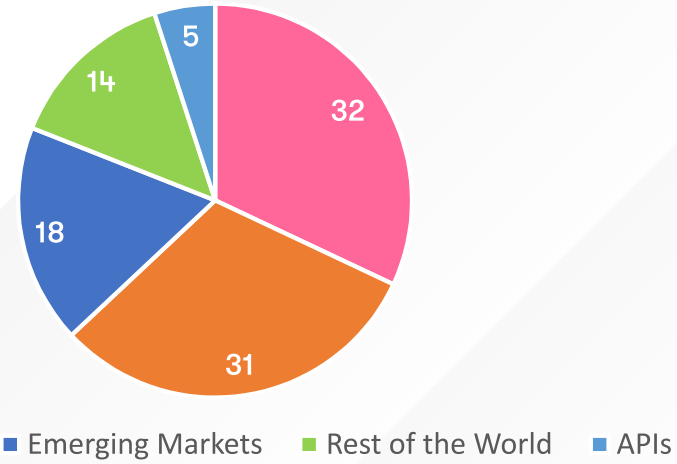
Focus Areas in Specialization

Dermatology: Sun Pharma introduced innovative products like Ilumya (tildrakizumab), a biologic used to treat moderate-to-severe plaque psoriasis. By focusing on biologics and complex formulations, the company established itself as a significant player in dermatology. The acquisition of branded dermatology assets and the establishment of a strong specialty salesforce in key markets enabled Sun Pharma to gain market share in this highly competitive field.

Oncology and Ophthalmology: Sun Pharma invested heavily in developing therapies for oncology and ophthalmology, addressing critical conditions such as basal cell carcinoma and dry eye syndrome. Its robust pipeline includes molecules like deuruxolitinib for alopecia areata and Nidlegy for melanoma and non-melanoma skin cancers.

R&D as a Cornerstone of Innovation: Sun Pharma has consistently increased its R&D investments, dedicating over 6% of its revenues to this segment. The establishment of global R&D centers with over 3,000 researchers underscores its commitment to innovation.

Business - Wise Revenue Share (FY 24)



Comprehensive Investment Rationale

Leadership in APIs & Generics

Sun Pharma's strategic focus on vertical integration has been pivotal in its ability to sustain cost leadership and ensure consistent supply chain reliability. The company produces over 380 active pharmaceutical ingredients (APIs) across its manufacturing facilities, catering to internal requirements and external clients.

APIs & Vertical Integration

Sun Pharma's API production spans a wide array of therapeutic categories, including antibiotics, cardiovascular agents, and oncology drugs. This enables the company to develop complex generics that competitors often find difficult to replicate. Vertical integration provides Sun Pharma with greater control over quality, pricing, and supply chain efficiencies, allowing it to maintain competitive edge even in the face of pricing pressures.

Navigating Challenges in Generics Pricing

The global generics market has faced headwinds due to price erosion and regulatory scrutiny. Sun Pharma's focus on technology-intensive generics and first-to-file opportunities in the US has helped mitigate these challenges. The company has also adopted a differentiated product strategy, emphasizing branded generics in emerging markets and specialty products in developed regions.

Business Model & Strategy

Sun Pharma's business model is rooted in creating value through its diversified portfolio, strategic geographic presence, and focus on patient-centric innovations. The company balances a strong domestic foundation in India with a dynamic global reach, supported by a robust infrastructure of 41 manufacturing facilities across six continents. Unlike many competitors that rely predominantly on generics, Sun Pharma has diversified into specialty products, branded generics, over-the-counter (OTC) solutions, and active pharmaceutical ingredients (APIs). This diversification not only mitigates risks associated with price erosion in generics but also enables the company to capture growth across various segments of the pharmaceutical industry. The business is strategically aligned to address both chronic and acute healthcare needs, ensuring adaptability to shifting industry trends. Furthermore, Sun Pharma's ability to cater to different regulatory environments highlights its operational excellence, positioning it as a trusted partner in regulated markets like the US and emerging markets with unique challenges.

The cornerstone of Sun Pharma's strategy lies in its investment in R&D, aimed at creating a pipeline of complex generics, biologics, and novel drug delivery systems. With over 3,000 scientists working in six global R&D centers, the company has consistently pushed the boundaries of pharmaceutical innovation. This focus has allowed Sun Pharma to introduce groundbreaking products, particularly in dermatology, ophthalmology, and oncology. Its Ilumya brand for psoriasis and Winlevi for acne exemplify its approach to addressing unmet needs through innovation. Additionally, Sun Pharma has prioritized the development of biologics and biosimilars, sectors that require advanced technical expertise and regulatory compliance. The company's strategic collaborations and in-licensing agreements further bolster its product pipeline, enabling it to bring new therapies to market more efficiently. This multifaceted R&D strategy is complemented by a disciplined approach to patenting and first-to-file opportunities, especially in regulated markets like the US.

Sun Pharma's strategy also emphasizes operational excellence and cost leadership. The company's vertically integrated model ensures that it controls key elements of its supply chain, from API production to the manufacturing of finished dosage forms. This integration not only drives down costs but also ensures consistency in product quality and supply reliability. By investing in automation and cutting-edge technologies, Sun Pharma has optimized its production processes to maximize efficiency. The company has also focused on streamlining its inventory and reducing working capital requirements to enhance its financial stability. Furthermore, Sun Pharma has made strategic investments to expand its global commercial infrastructure, including field forces and distribution networks, particularly in high-potential markets like India, the US, and key emerging economies. This infrastructure enables the company to effectively launch new products, improve market penetration, and build strong relationships with healthcare professionals. Combined with a clear focus on sustainability, including reducing carbon footprints and implementing green initiatives, Sun Pharma is well-positioned for long-term growth in a rapidly evolving pharmaceutical landscape.

Specialty Portfolio and Pipeline

Sun Pharma's specialty portfolio is a cornerstone of its growth strategy, focusing on high-value, innovative therapies that cater to complex and chronic conditions. The specialty business has seen substantial growth, now contributing approximately 18% to the company's global revenue in FY24. The company's specialty medicines primarily target therapeutic areas such as dermatology, oncology, and ophthalmology. With 26 specialty products marketed globally, Sun Pharma has strategically built a portfolio designed to address unmet medical needs, emphasizing biologics and innovative formulations. Flagship products such as Ilumya, an IL-23 inhibitor for plaque psoriasis, and Winlevi, a topical acne treatment, reflect the company's ability to deliver advanced therapies that meet specific patient requirements. Additionally, products like Cequa, for dry eye disease, highlight Sun Pharma's foray into ophthalmology, a rapidly growing segment. The pipeline also demonstrates the company's commitment to expanding indications for existing specialty products, ensuring long-term revenue growth and market relevance.

A key aspect of Sun Pharma's specialty portfolio is its focus on dermatology, where it has developed a strong global presence. The launch of Winlevi, a first-in-class androgen receptor inhibitor for acne, represents a significant breakthrough in dermatology, as it offers a novel mechanism of action compared to traditional treatments. Additionally, Levulan Kerastick, combined with BLU-U blue-light therapy, is a unique treatment for actinic keratosis, further solidifying Sun Pharma's position in this therapeutic area. The company's dermatology products are supported by a robust salesforce and distribution network in major markets like the US, Canada, and Europe. Moreover, Sun Pharma has entered strategic licensing agreements to market these products in emerging markets, ensuring broader access and adoption. By leveraging its expertise in dermatology, Sun Pharma has positioned itself as a key player in a field characterized by high barriers to entry and significant growth potential.

Sun Pharma's investments in oncology and onco-dermatology have also been pivotal in building a differentiated specialty portfolio. The company markets Odomzo, a treatment for locally advanced basal cell carcinoma, which demonstrates its ability to address niche cancer indications with targeted therapies. The ongoing clinical trials for Nidlegy™, an immunocytokine therapy for melanoma and non-melanoma skin cancers, highlight Sun Pharma's focus on innovation in oncology. Additionally, the company's robust pipeline includes products like deuruxolitinib, a JAK inhibitor for alopecia areata, which has reached the registration stage with the USFDA. These advancements underscore Sun Pharma's strategic emphasis on developing therapies for high-value, underserved segments. The company's oncology portfolio is complemented by its partnerships and acquisitions, such as the in-licensing of Nidlegy™ for Europe, Australia, and New Zealand, which ensures access to cutting-edge technologies and therapies.
Research and development (R&D) is the driving force behind Sun Pharma's specialty portfolio and pipeline. The company has significantly increased its R&D investments, allocating 6.7% of its sales in FY24 to foster innovation. Sun Pharma's six active specialty pipeline candidates, including molecules targeting autoimmune diseases, oncology, and metabolic disorders, are at various stages of clinical trials. For example, Ilumya, a cornerstone of Sun Pharma's dermatology portfolio, is undergoing Phase 3 clinical trials for psoriatic arthritis. Similarly, SCD-044, a selective S1P receptor modulator, is being studied for atopic dermatitis and psoriasis, with promising early results. The company's focus on specialty R&D has also extended to the development of biosimilars and next-generation biologics, areas that promise substantial growth in the coming years. By aligning its R&D efforts with market needs, Sun Pharma is not only enhancing its pipeline but also ensuring that it remains competitive in the rapidly evolving pharmaceutical landscape.

The commercial success of Sun Pharma's specialty portfolio is bolstered by its strong infrastructure and strategic marketing initiatives. The company has established a global commercial presence with a dedicated specialty salesforce and partnerships with local distributors in key markets. This infrastructure has facilitated the successful launch of flagship products like Ilumya, which now generates significant revenue in markets such as the US, Canada, and Europe. Furthermore, Sun Pharma's ability to secure regulatory approvals and reimbursement for its specialty products across diverse geographies underscores its operational excellence. The company is also actively exploring digital solutions and patient engagement programs to enhance the adoption and adherence of its therapies. By integrating its R&D capabilities with a robust commercial strategy, Sun Pharma ensures the sustainability and scalability of its specialty business, making it a critical driver of the company's long-term growth.

Key Trends and Drivers Shaping the Pharmaceutical Industry

The pharmaceutical industry is currently experiencing a dynamic transformation fueled by global trends and shifting healthcare demands. Global population dynamics continue to play a central role in shaping the industry's trajectory. The combination of an aging population and the rising prevalence of lifestyle-related and chronic diseases has drastically altered the global healthcare landscape. Conditions like diabetes, cardiovascular disorders, cancer, and neurodegenerative diseases such as Alzheimer's are no longer isolated to developed regions but are increasingly becoming universal health concerns. These demographic changes require a reorientation of healthcare systems and a focus on long-term, sustainable solutions. Pharmaceutical companies are responding by developing therapies that target these chronic conditions, which demand innovative drug formulations, preventive care, and patient-centric treatments that improve not only survival rates but also quality of life.

Simultaneously, regional disparities in medicine consumption continue to reveal the uneven distribution of healthcare access across the globe. Countries with advanced healthcare systems, like Japan and much of Western Europe, have widespread access to innovative drugs and therapies. In contrast, regions with limited healthcare resources, such as parts of Africa and South Asia, often face challenges in obtaining even essential medicines. Low healthcare spending, inadequate distribution networks, and socioeconomic barriers exacerbate this divide. To address these inequities, pharmaceutical companies and global health organizations are exploring strategies like tiered pricing models, improved distribution infrastructure, and public-private partnerships to increase the accessibility and affordability of medicines. Additionally, governments in developing nations are investing in healthcare reforms and production capabilities to reduce dependence on imports, thereby creating new opportunities for pharmaceutical manufacturers.

Economic constraints in developed markets have also become a defining factor, as governments and private payers grapple with rising healthcare costs. The COVID-19 pandemic intensified these pressures, leading to increased spending on emergency healthcare measures, which diverted resources from other areas. As healthcare budgets shrink, cost containment strategies are gaining momentum. These include accelerating the adoption of biosimilars and generics, which offer lower-cost alternatives to branded drugs, and implementing innovative payment models such as outcome-based reimbursement, where payments are tied to the therapeutic effectiveness of drugs. Pharmaceutical companies must now navigate these pressures while continuing to invest in the research and development of high-cost therapies, particularly in oncology and rare diseases, to meet growing patient demand for effective treatments.

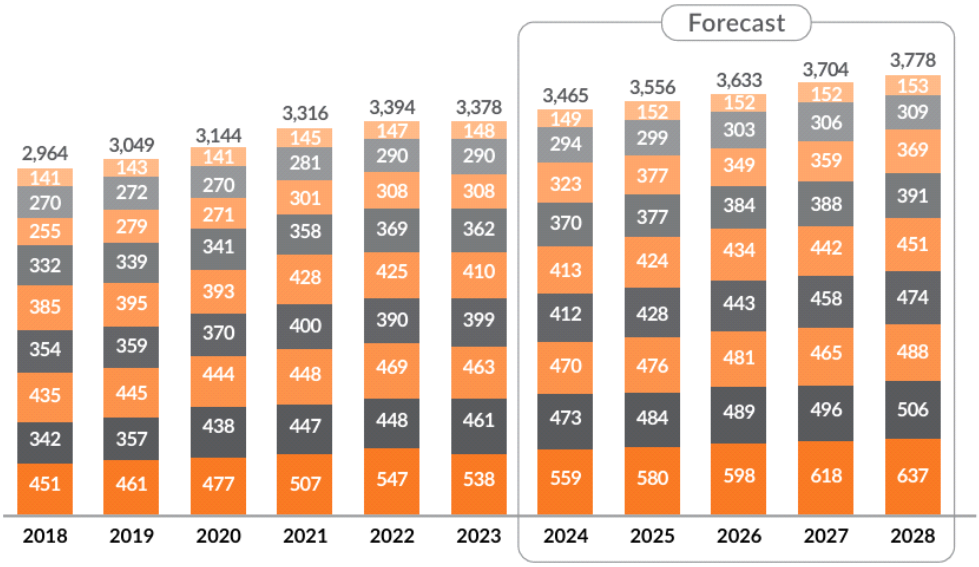
The pharmaceutical industry has also seen remarkable advancements in specific therapeutic areas, particularly immunology, endocrinology, and oncology, over the last decade. In oncology, precision medicine has emerged as a game-changing approach, allowing treatments to be tailored to individual genetic profiles. Immunotherapies, including checkpoint inhibitors and CAR-T cell therapies, have revolutionized cancer care by harnessing the body's immune system to fight tumors more effectively. Endocrinology has seen breakthroughs in diabetes management, with next-generation GLP-1 receptor agonists and insulin delivery systems improving glycemic control and reducing complications. Meanwhile, immunology has benefitted from the development of biologics for autoimmune disorders like rheumatoid arthritis and inflammatory bowel disease, offering long-term relief with fewer adverse effects. The increasing focus on rare diseases, which often have no approved treatments, has also driven innovation in drug discovery. These therapeutic advancements highlight the industry's ability to evolve in response to complex medical challenges.

Technological advancements in healthcare, particularly digital health solutions, are further accelerating the pace of change in the pharmaceutical sector. Artificial intelligence (AI) and machine learning (ML) are being integrated across the drug development pipeline, from identifying potential drug candidates to optimizing clinical trial design. Predictive analytics enables pharmaceutical companies to assess patient populations more effectively, ensuring trials are conducted with optimal efficiency and fewer delays. Similarly, telemedicine has become an essential tool for healthcare delivery, especially in the wake of the COVID-19 pandemic. It has bridged gaps in patient care, allowing remote monitoring and consultation, particularly in regions where healthcare infrastructure is sparse. The Internet of Medical Things (IoMT) is another area of rapid development, enabling devices to collect and transmit real-time patient data, which can be used to personalize treatments and improve therapeutic outcomes. Collectively, these advancements represent a shift toward a data-driven, patient-centric model of healthcare that improves both the efficiency and accessibility of medical services.

Finally, biologics and small-molecule drugs are at the forefront of pharmaceutical innovation, offering targeted and personalized approaches to treatment. Biologics, derived from living organisms, are particularly effective in treating chronic and complex conditions like cancer, autoimmune disorders, and rare genetic diseases. They represent a significant leap forward in drug efficacy and safety, as they are designed to interact with specific molecular pathways. Small-molecule drugs, on the other hand, continue to evolve, with companies exploring advanced drug delivery systems, such as nanoparticles and sustained-release formulations, to improve bioavailability and patient adherence. The growing acceptance of biosimilars—cost-effective versions of biologic drugs—further expands patient access to life-saving treatments. Pharmaceutical companies are increasingly focusing on hybrid portfolios that combine biologics and small molecules to address a broader spectrum of diseases, ensuring they remain competitive in a rapidly changing market.

Global Pharmaceutical Industry Growth: 2018-2028[1]

(Defined Daily Doses in Billions)



	CAGR % 2024-2028
Global	2.3
Japan	0.6
North America	1.3
China	3.7
Africa and Middle East	1.6
Eastern Europe	1.9
Western Europe	3.5
Latin America	1.1
India	1.9
Asia-Pacific	3.4

Source: IQVIA Institute, December 2023

In developed markets, annual pharmaceutical spending is projected to range between US$1.775 trillion and US$1.805 trillion by 2025. This growth is expected to be driven by innovative therapeutics, despite facing challenges from the competition posed by generics and biosimilars. Immunology treatments are anticipated to see a consistent rise in usage, although this may be tempered by the increasing availability of biosimilars. Overall, spending in these markets is likely to accelerate, fueled by the introduction of new products and the sustained demand for existing branded medicines.

Global Pharmaceutical Market

Table 1

(US$ Billion)

Region	2023	2019-2023 CAGR	2028	2024-2028 CAGR
Developed Markets	1,276	7.2%	1,775-1,805	5-8%
Pharmerging Markets	304	7.8%	400-430	10-13%
Other Markets	28	5.6%	33-37	3-6%
Global Pharmaceutical Market	**1,607**	**7.3%**	**2,225-2,255**	**6-9%**

Global Pharmaceutical Market – Share by Product Type[1]

Table 2

(% of Total)

Region	Original Brands (%)		Non-original Brands (%)		Unbranded Generics (%)		OTC, Vaccines & Others (%)		Total (US$ Billion)	
Year	2023	2028	2023	2028	2023	2028	2023	2028	2023	2028
Developed Markets	76	78-79	10	9-10	9	7-8	5	4-5	1,276	1,775-1,805
Pharmerging Markets	27	28-30	35	33-35	14	13-17	24	21-24	304	400-430
Other Markets	32	27-35	49	45-51	6	5-7	13	11-12	28	33-37
Global Markets	**66**	**68-69**	**15**	**14-15**	**10**	**8-9**	**9**	**7-8**	**1,607**	**2,225-2,255**

Growth Prospects and Key Drivers of the Indian Pharmaceutical Market

The Indian pharmaceutical market is on a strong growth trajectory, with medicine spending forecasted to reach between US$38 billion and US$42 billion by 2028, driven by a compound annual growth rate (CAGR) of 7-10% during the 2024-2028 period. This growth is bolstered by a thriving domestic pharmaceutical sector that caters to both acute and chronic medical needs. Acute therapies such as anti-infectives and essential vitamins/minerals saw increased demand in 2023, reflecting a post-pandemic recovery in healthcare utilization. Meanwhile, chronic therapies targeting long-term conditions, including cardiac diseases, hypertension, and respiratory ailments, continue to show robust performance due to the rising prevalence of lifestyle-related disorders. The steady expansion of the pharmaceutical market underscores its resilience and its critical role in meeting the healthcare needs of a rapidly evolving population.

Expanding Access to Modern Medicines: Efforts to enhance healthcare infrastructure and distribution networks are significantly improving access to modern and innovative medicines across the country. Urban centers now benefit from faster access to advanced pharmaceutical products, while rural areas, often underserved, are being integrated into the broader healthcare ecosystem. Government initiatives and partnerships with private entities have facilitated better supply chains, allowing even remote regions to access essential and specialty medicines. Additionally, the rise of e-pharmacies and digital healthcare platforms has further enhanced accessibility by bridging gaps in availability and enabling direct delivery of medicines to patients. These developments ensure that modern medical solutions reach a diverse and widespread population, addressing longstanding inequities in healthcare access across India.

Improving Affordability and Rising Market Demand: Rising per capita incomes have significantly boosted the affordability of healthcare and pharmaceuticals for India's growing middle class, allowing a larger segment of the population to access advanced treatments. Additionally, government-sponsored healthcare programs and insurance schemes have extended coverage to millions, reducing out-of-pocket expenses for essential and chronic medications. The increasing purchasing power of consumers is driving demand for branded generics, specialty medicines, and wellness products, marking a shift from basic pharmaceutical consumption to higher-value products. Furthermore, the ongoing urbanization and expansion of Tier 2 and Tier 3 cities are fueling demand for improved healthcare services and medicines, ensuring that pharmaceutical growth is not limited to metropolitan areas. These factors collectively position India as one of the most promising pharmaceutical markets globally.

Leadership in Cost-Effective Manufacturing: India's expertise in cost-efficient manufacturing is a defining strength of its pharmaceutical industry. The country has become a global hub for producing affordable generic drugs, contributing to over 20% of the world's generic drug supply. With over 380 active pharmaceutical ingredient (API) producers, India plays a crucial role in ensuring supply chain stability for finished formulations, both domestically and globally. Advanced manufacturing technologies, economies of scale, and skilled labor allow India to offer competitive pricing without compromising quality. These capabilities have also helped Indian pharmaceutical companies meet the rigorous regulatory requirements of developed markets, including the United States and Europe. India's position as a leading exporter of cost-effective medicines has solidified its reputation as the "pharmacy of the world," providing affordable access to essential medicines for millions globally.

Demographics, Lifestyle Shifts, and Chronic Disease Management: India's demographic and lifestyle changes are key growth drivers for the pharmaceutical market. An aging population, combined with sedentary lifestyles, has led to a sharp increase in chronic conditions such as diabetes, cardiovascular diseases, and obesity-related disorders. The number of elderly individuals requiring long-term care is also growing, further increasing demand for chronic medications and healthcare solutions. In addition, lifestyle shifts, such as increased stress levels, poor dietary habits, and reduced physical activity, have amplified the prevalence of non-communicable diseases (NCDs). Pharmaceutical companies are responding by developing a robust pipeline of therapies that cater to these chronic conditions, including diabetes management solutions, cardiac treatments, and respiratory aids. Preventive healthcare products, wellness supplements, and lifestyle medicines are also seeing a surge in demand as consumers become more health-conscious. This demographic shift is reshaping the focus of India's pharmaceutical sector, transitioning it toward addressing long-term health challenges.

Government Support and Incentives: The Indian government's proactive measures are playing a pivotal role in supporting the pharmaceutical industry. Initiatives such as the Production Linked Incentive (PLI) scheme have been introduced to boost domestic production, reduce dependency on imports, and encourage innovation in high-value drug manufacturing. This scheme incentivizes manufacturers to scale up production capacities for APIs, key starting materials, and finished formulations, thereby strengthening India's pharmaceutical ecosystem. In addition to financial incentives, the government is also fast-tracking approvals and simplifying regulations to attract foreign investments and promote research and development (R&D) within the country. State-level policies, along with the establishment of pharmaceutical parks and innovation hubs, further enhance the industry's competitive edge. These efforts collectively create a favorable business environment, enabling Indian pharmaceutical companies to achieve sustainable growth and expand their global footprint while maintaining their leadership in cost-effective production.

DUPont Analysis (In Rs. Crores, wherever applicable)

Return on Equity (ROE)					
	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Net Profit	6292.79	2126.32	3946.49	10769.51	10752.16
Average Shareholder's Equity	43336.76	45863.62	47237	52003.3	59831.07
Return on Equity	14.52%	4.64%	8.35%	20.71%	17.97%

Return on Equity (ROE) – Dupont Equation					
	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Net Profit	6292.79	2126.32	3946.49	10769.51	10752.16
Revenue	33473.48	34333.66	39576	44520.2	49851.04
Net Profit Margin (A)	18.80%	6.19%	9.97%	24.19%	21.57%
Revenue	33473.48	34333.66	39576	44520.2	49851.04
Average Total Assets	66473.14	67959.60	68733.3	75275.68	83103.24
Asset Turnover Ratio (B)	0.50	0.51	0.58	0.59	0.60
Average Total Assets	66473.14	67959.60	68733.3	75275.68	83103.24
Average Shareholder's Equity	43336.76	45863.62	47237	52003.3	59831.07
Financial Leverage (C)	1.53	1.48	1.46	1.45	1.39
Return on Equity (A*B*C)	14.52%	4.64%	8.35%	20.71%	17.97%

Detailed Summary of Sunpharma's DuPont Analysis

The DuPont Analysis of Sun Pharma provides an in-depth breakdown of the company's Return on Equity (ROE), offering insights into its operational efficiency, profitability, and resource utilization over a five-year period from March 2020 to March 2024. This framework dissects ROE into three key components: profit margin, asset turnover, and financial leverage, revealing the underlying dynamics that have contributed to Sun Pharma's financial performance.

Key Findings from ROE Analysis

Return on Equity (ROE): Sun Pharma's ROE demonstrated a substantial improvement over the analyzed period, rising from 14.52% in FY20 to a peak of 20.71% in FY23, before settling at 17.97% in FY24. This upward trend indicates robust growth in profitability and efficient utilization of equity resources. The decline in FY24, while slight, reflects stabilization in profit margins following an extraordinary surge in FY23, signaling a return to a sustainable growth trajectory.

Net Profit: A notable driver of Sun Pharma's ROE improvement has been the significant growth in net profit. From Rs. 3,946.49 crores in FY22, net profit surged to Rs. 10,769.51 crores in FY23, marking a dramatic leap attributed to strong operational performance and cost optimization. By FY24, net profit remained stable at Rs. 10,752.16 crores, showcasing the company's ability to maintain elevated earnings even amidst market challenges. This highlights Sun Pharma's resilience and effectiveness in capitalizing on growth opportunities.
Average Shareholder's Equity: Consistent reinvestment and robust earnings retention have led to a steady rise in average shareholder equity, which grew from Rs. 43,336.76 crores in FY20 to Rs. 59,831.07 crores in FY24. This growth signifies the company's disciplined financial management and commitment to building long-term value for its shareholders.

DuPont Equation Breakdown

Net Profit Margin (A): Sun Pharma's net profit margin saw remarkable improvement during this period, increasing from 18.80% in FY20 to a peak of 24.19% in FY23 before stabilizing at 21.57% in FY24. This consistent growth in profitability reflects the company's strategic focus on optimizing its product portfolio, improving operational efficiency, and effectively managing costs. The strong profit margins are also indicative of the successful commercialization of high-margin products and the company's dominance in key therapeutic areas such as dermatology, oncology, and ophthalmology.

Asset Turnover Ratio (B): The asset turnover ratio, a critical measure of operational efficiency, improved steadily from 0.50 in FY20 to 0.60 in FY24. This increase reflects the company's ability to generate more revenue per unit of asset investment, underscoring its efficient use of a growing asset base. Sun Pharma's expanding infrastructure, coupled with strategic investments in manufacturing facilities and distribution networks, has contributed to better resource utilization and higher revenue growth.

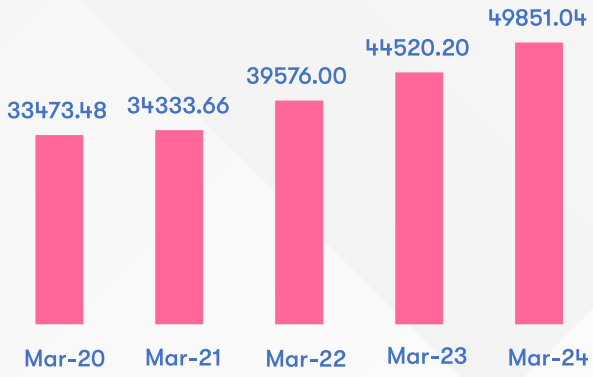
Financial Leverage (C): Over the years, Sun Pharma's financial leverage has shown a gradual decline, moving from 1.53 in FY20 to 1.39 in FY24. This indicates a shift toward reduced reliance on debt financing and a stronger equity base. The decreasing leverage suggests a stable capital structure and lower financial risk, aligning with the company's strategic focus on maintaining a robust financial position while pursuing growth opportunities.

Overall Insights

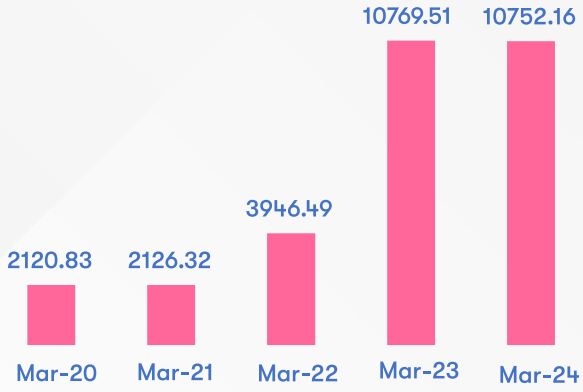
Sun Pharma's DuPont Analysis highlights its ability to balance profitability, operational efficiency, and risk management effectively. The sharp rise in net profit margins between FY20 and FY23 played a pivotal role in boosting ROE, reflecting the company's strategic focus on high-margin products and improved cost control. The concurrent improvement in asset turnover underscores Sun Pharma's efficient utilization of its expanding asset base to drive revenue growth. Moreover, the reduction in financial leverage demonstrates the company's prudent financial management, ensuring long-term sustainability and reduced exposure to financial risk. While ROE experienced a slight decline in FY24, this stabilization can be attributed to the normalization of profit margins following an extraordinary performance in FY23. Importantly, Sun Pharma's robust average shareholder equity, strong profit margins, and growing asset efficiency position the company well for sustained growth in the years ahead. This analysis underscores Sun Pharma's ability to adapt to evolving market conditions, leverage its competitive strengths, and deliver value to shareholders through disciplined financial management and operational excellence.

Company Performance

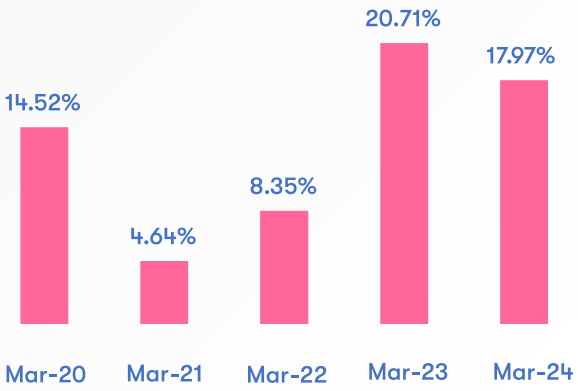
Revenue from Operations (In Rs. Cr)



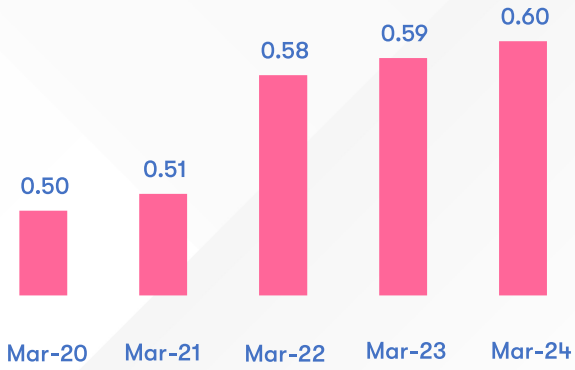
Net Profit (In Rs. Cr)



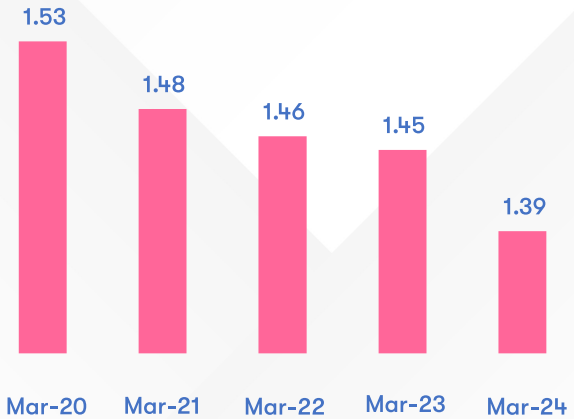
Return on Equity (In %)



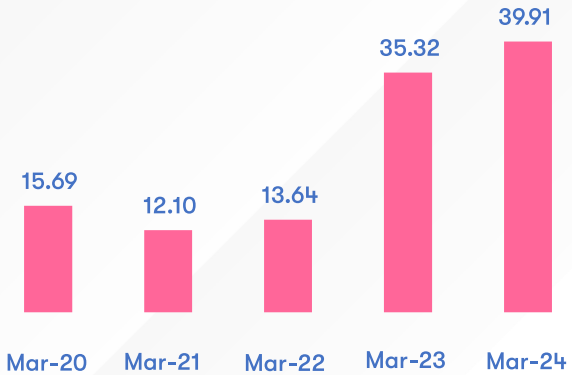
Asset Turnover Ratio



Financial Leverage Ratio



Earnings Per Share (In Rs.)



Peer Comparison

Name	SUNPHARMA	CIPLA	LUPIN
CMP Rs. (02-12-2024)	1808.55	1507.70	2069.55
Market Cap (in Rs. Cr)	416057	123153	92305
Enterprise Value (in Rs. Cr)	409614	122693	94333
Operating Revenue (in Rs. Cr)	49851.04	25774.09	19656.34
EBITDA (in Rs. Cr)	12430.08	7037.62	3930.69
EBITDA Margin %	25.63%	27.31%	20%
Net Profit (in Rs. Cr)	6292.79	4121.55	1914.48
PAT Margin %	12.97%	15.99%	9.74%
EPS (Rs.)	39.91	51.05	42.05
Diluted EPS (Rs.)	39.91	51.01	41.87
P/E (x)	37.20	26.7	35.1
P/B (x)	5.98	4.38	5.90
P/S (x)	8.27	4.65	4.31
EV/EBITDA (x)	25.90	16.5	19.70
ROCE %	17.30%	22.80%	15.70%
ROE %	17.97%	16.80%	14.10%
RoNW%	15.00%	14.53%	12.24%
Debt to Equity (x)	0.05	0.02	0.22
Current Ratio (x)	2.60	3.83	1.88
Interest Coverage (x)	49.60	79.10	12.60
Book Value (Rs.)	288	351	343
Dividend Yield %	0.76%	0.86%	0.39%
Asset T/o (x)	0.58	0.83	0.86

Indicator	Mar '24	Mar '23	Mar '22	Mar '21	Mar '20
Sales % Change	11.00%	14.00%	15.00%	2.00%	13.00%
EBIT Margin	24.37%	22.22%	23.73%	21.63%	16.97%
Pre Tax Margin	22.86%	21.43%	11.59%	8.35%	15.25%
After Tax Margin	19.89%	19.50%	8.81%	6.82%	12.75%
ROE	17.97%	20.71%	8.35%	4.64%	14.52%
Dividend Payout Ratio (%)	30.26%	29.73%	65.96%	53.68%	36.62%
Earnings Retention Ratio (%)	69.74%	70.27%	34.04%	46.32%	63.38%
Current Ratio (x)	2.56	2.00	2.04	1.89	2.02
Quick Ratio (x)	1.98	1.48	1.51	1.33	1.51
Inventory Turnover Ratio (x)	0.68	0.80	0.78	0.73	0.70

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