FINBITS
INDIA

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MARKET COMMENTARY

Making Young India Financially Literate

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At FinBits, we aspire to be the pioneers of a learning ecosystem, focused in finance, that augments the way our readers consume content online. We aim to provide relevant snippets of information that cater to most interests. Our articles go one step beyond the mundane affairs of the world; we hope to take our readers on an elaborate journey, where we serve golden nuggets of information to help you increase your financial literacy.

We work to ensure that we build ourselves as an important pit-stop in our readers' need for staying updated and insightful. FinBits provides a weekly dose of easily-digestible content on the latest in current affairs, as well as a deep dive into strategies of the hottest game-changers.

We strive to ensure we stay ahead of the curve and provide you a holistic learning experience.

Going one step further in ensuring the youth of today top the world in terms of financial literacy, we present "FinBits India Market Commentary. We hammer into the chosen company's data (as available in public domain, of course) and simplify technicalities into simple, understandable info-nuggets. Each month, we curate an all-in-one investors handbook to help make some decisions easier for the upcoming vultures in venture-capital, aka teen-vestors.

Happy Investing!

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01

COMPANY OVERVIEW

The Sun & The Sons : An Introduction

Market Data

Bloomberg Code	SUNP IN
NSE	SUNPHARMA
BSE	524715
Mkt Cap (₹ T)	1.16 T
52 Wk H/L (₹)	564.75 / 312.00
Face Value (₹)	1
Bloomberg Code	SUNP IN

Corporate Actions

Dividend History

Sun Pharmaceutical Industries Ltd. has declared 22 dividends since July 17, 2001.

In the past 12 months, Sun Pharmaceutical Industries Ltd. has declared an equity dividend amounting to Rs 4.00 per share.

At the current share price of Rs 486.35, this results in a dividend yield of 0.82%.

Ex-Date	Dividend Amount	Dividend Type
Aug. 19, 2020	1.00	Final
Feb. 17, 2020	3.00	Interim
Aug. 20, 2019	2.75	Final
Sept. 17, 2018	2.00	Final
Sept. 18, 2017	3.50	Final
Sept. 8, 2016	1.00	Final
Oct. 21, 2015	3.00	Final

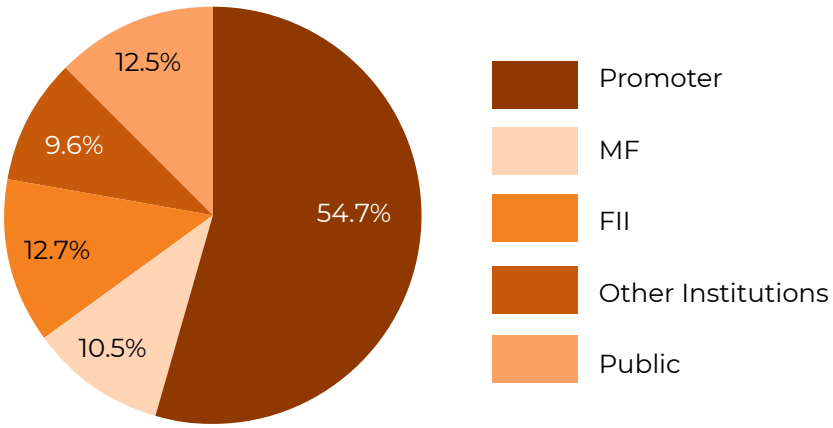
Bonus History

Sun Pharmaceutical Industries Ltd. has given 3 bonuses since March 6, 2000. The last Bonus that Sun Pharmaceutical Industries Ltd. anounnced was in the ratio 1:1 with ex-date of July 29, 2013.

In 1983, the Shanghvi family, led by Mr. Dilip Shanghvi founded the multinational Sun Pharmaceutical Industries LTD (NSE CODE: SUNPHARMA). Sun Pharma is headquartered in Mumbai, Maharashtra. The company manufactures and sells Active Pharmaceutical Ingredients (APIs) apart from pioneering pharmaceutical formulations. It targets a plethora of segments including, neurology, cardiology, ophthalmology, oncology, psychiatry amongst others. Indian markets account for only 28% of total sales, whereas the USA is the single largest market, contributing about 50% total turnover.

In 1994, Sun Pharma was listed on stock exchanges and was oversubscribed by 55 times. Sun Pharma remains a family-led company with the Shanghvi family holding a majority stake (54%) in the company.

SHAREHOLDING SUMMARY FOR
SUN PHARMACEUTICAL INDUSTRIED LTD.



Ex-Date	Dividend Amount	Dividend Type
July 29, 2013	1 : 1	July 30, 2013
May 27, 2004	1 : 1	May 29, 2004
March 6, 2000	2 : 1	March 23, 2000

Split History
Sun Pharmaceutical Industries Ltd. has split the face value 2 times since Jan. 13, 2003. Sun Pharmaceutical Industries Ltd. had last split the face value of its shares from Rs 5 to Rs 1 in 2016.The share has been quoting on an ex-split basis from Nov. 25, 2010.

Ex-Date	Old FV	New FV	Record Date
Nov. 25, 2010	5	1	Nov. 26, 2010
Jan. 13, 2003	10	5	Jan. 21, 2003

As illustrated, Sun Pharma is the most profitable (and the second largest) pharmaceutical company in India. The giant is also the largest pharmaceutical company by market capitalisation in India. In 2012, Sun Pharma Laboratories Limited (SPLL) became a fully-owned subsidiary of Sun Pharmaceutical Industries Limited (SPIL).

What is so special about SPLL, you ask? The Laboratories offer a complete therapy basket with specializations in multiple technically complex products. If one considers a list of the top 300 pharma brands, you'd find that SPLL owns 19 of them. In addition, their strong network spreads to 150,000+ doctors across India, and has consistently outperformed the average industry growth.

A Small Pharmaceutical Overview

India- the country that boasts a pool of brilliant next-gen scientists and engineers has the potential to move this ever-evolving industry to greater heights.

The Indian pharmaceutical sector is the largest provider of generic drugs globally. The sector accounts for over 50% of various vaccine demands. Fun fact- over 80% of antiretroviral drugs used to battle AIDS (Acquired Immune Deficiency Syndrome) are produced in India.

The pharma sector is expected to grow to USD 100 billion. The industry which mainly exports bulk drugs, intermediates, drug formulations and Ayush products have an export economy valued at USD 21 billion in FY20. India's domestic pharma market turnover was pegged at USD 20 billion in 2019, which is a 9.8% increase from 2018. It is hardly surprising that the promise of growth shown by the Indian pharma sector has caught the attention of overseas investors leading to an investment of USD 16.5 billion from the start of the

century. This led the Union Cabinet to amend the existing Foreign Direct Investment (FDI) regulations and allow up to 100% investments under the automatic route, subject to certain conditions laid down by the centre. One of the highlights for this sector was the Telangana government announcing a 'Hyderabad Pharma City', with the centre pumping in funds worth USD 489 million.

S.W.O.T. not S.W.A.T.

STRENGTH

Mutual Funds have increased their holdings in Sun Pharma over the last couple of months. This increase takes the Mutual Funds tally of total holdings to 259,223,237 shares. If you choose to invest in Sun Pharma, you wouldn't worry about sleepless nights; considering the Return of Equity (RoE) of this highly sought after stock is a whooping 8.3% annually. Additionally, Sun Pharma is a company that keeps their word. They are amongst one of the lowest debt keeping companies.

WEAKNESS

A decrease in promoter holding has been observed; which is read negatively by investors. This is because, for them this decrease is akin to not putting their money where one's mouth is. One major concern is the evident decline in net cash flow. The company has failed to generate net cash flow that reflects in their numbers. Sun Pharma has recorded a -43.9 % net cash flow.

OPPORTUNITY

It is rather intriguing to observe and account for (in recent history) the abnormally high volume of shares traded. This marks a clear spot where one can say the market is bullish about the script. Close to 48 reports from 15 different analysts offering long-term price targets for Sun Pharma, peg the average target at Rs 557.00

THREAT

A non core item is an engagement to be outside of business activities or operations that are the main revenue source of the business. Sun Pharma has seen an increase in their income from such businesses which can be a threat as it means their core business might be getting sidelined. Return on Capital Employed (ROCE) measures profitability in relation to invested capital and this stock has seen a decline in ROCE and it is a clear signal of loss of competitive advantage.

02
CASHFLOW ANALYSIS

Cashflow = Liquid Money?

Should companies have liquid capital? Absolutely!
Is that always the case? Unfortunately, it is not.

Before we dive into digits, let us try to understand the concept of "Cash" and "liquidation". The perfect analogy for liquidation would be imagine you have two cubes of ice; but you need hot water to make yourself a bowl of ramen noodles. The number of ice cubes you are willing to sacrifice for your noodles, are the "assets" you can convert into liquid "cash" to fulfil a company "need" (ramen noodles, in this case).

Now, lets jump into Sun Pharma's reservoirs of financial information (public domain, ofc)- To comprehensively understand the money-minting capacity of a company and to figure out how the company stays afloat while using the cash generated- we resort to the company's cash flow statements.

Particulars	Mar-20	Mar-19	Change %
Profit before tax	32,530.0	7,194.5	
Net cash generated from operating activities (A)	13,058.5	12,421.8	5%
Net cash from investing activities (B)	14,792.0	4,336.9	241%
Net cash used in financing activities (C)	-28,711.5	-14685.9	96%
Net increase / decrease in cash and cash equivalents (A+B+C)	-861.0	2,072.8	
Cash and cash equivalents at the beginning of the year	3,027.6	978.0	210%
Cash and cash equivalents at the end of the year	2,205.0	3,027.6	-27%

The above table is a condensed version of the Sun Pharma cash flow statement, with the percentage of change calculated over March 2019 to 2020. Skimming over it, we observe sufficient positive numbers. More importantly, we see positive cash from operating activities, which is a constructive indicator.

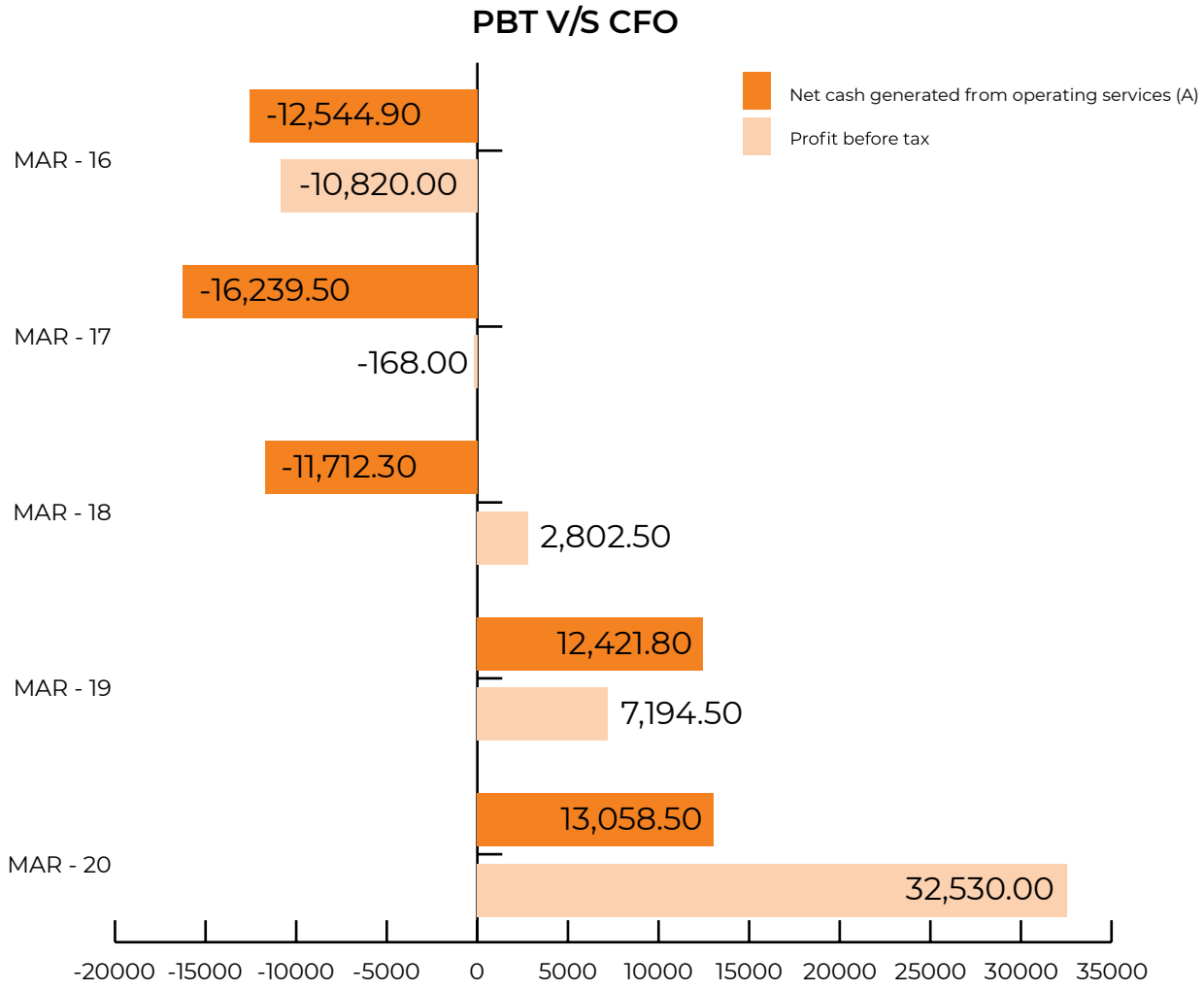
FINtionary : The Financial Dictionary

- Profit before tax: a part of the income statement, included here to understand if the company able to convert its generated profit into cash.
- Net cash from operating activities: Simply speaking, it is the cash a company generates from its core business. In case of Sun Pharmaceuticals, it would be manufacturing and selling of speciality pharmaceuticals, APIs, etc.
- Net cash from investing activities: majorly includes long term investments in assets and capital expenditure (manufacturing equipment, property, etc).
- Net cash used in financing activities: includes payment of dividend, repayment of debt as well as other similar activities used to fund the company. It is usually reflected in negative numbers.
- The sum of the three types of cash generated gives the net increase or decrease in cash and cash-equivalents. It is used to compute the following two rows, which are self-explanatory.

To begin, consider the cash flow generated from operating activities. The metric is positive and also records a growth of 5%. Apart from a generating commendable revenue from its core business (Rs.16,429 million), it has also reduced liabilities worth north of Rs. 10,000 million; and records cash worth Rs. 9217 million from its trade receivables.

As illustrated, after settling the suit for modafinil (a drug to mitigate extreme sleepiness), and maintaining performance, the PBT has catapulted back on track, growing almost 4x.

Not very Cash-Money:



The above graph highlights the company's profit to cash conversion.

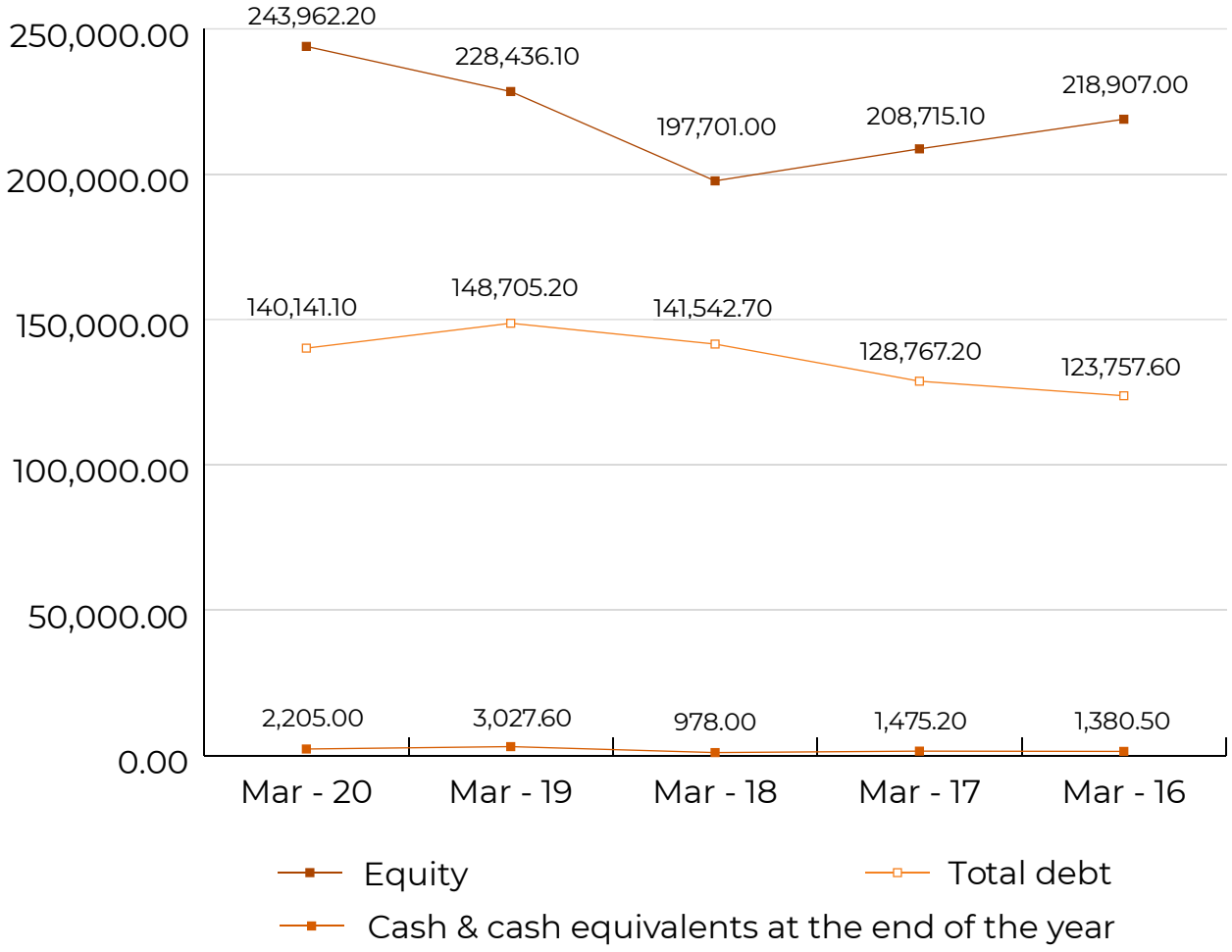
It paints a grim picture because even after improving the revenue by 13% and making a 4X boost in the profits before tax, they have failed to convert company profit to cash. In fact, the cash flow margin ratio (Cash from operating activities / sales) has reduced from 0.12 to 0.10 this year, depicting a poor performance in generating cash.

On a positive note, the company has invested a considerable amount in research & development operations and has bigger plans for expansion in the future.

Sun Pharma has also observed a huge pay off through its investment activities, heavily coming from dividends of its subsidiary companies. It has also purchased property and equipment worth Rs. 5700 million displaying signs of a brighter future in terms of business expansion, which accounts for 1/3rd of its cash generated from investing activities.

This is a plus as Sun Pharmaceuticals is investing heavily in future-plans while obtaining cash from its original investments. Beyond investments, it is sufficiently involved in financing activities paying dividends over Rs. 13000 million.

The amount received from the dividends of its subsidiary companies, was pretty much compensated by giving out dividends instead of improving its cash and cash equivalents which has shown a net decrease of Rs. 186 million.



The obvious question posed is why a pharmaceutical giant giving away sky-high dividends instead of reserving money for expansion plans; knowing its net change in cash and cash equivalents generated in the current year is negative? This signifies a very perceptive use of its finances.

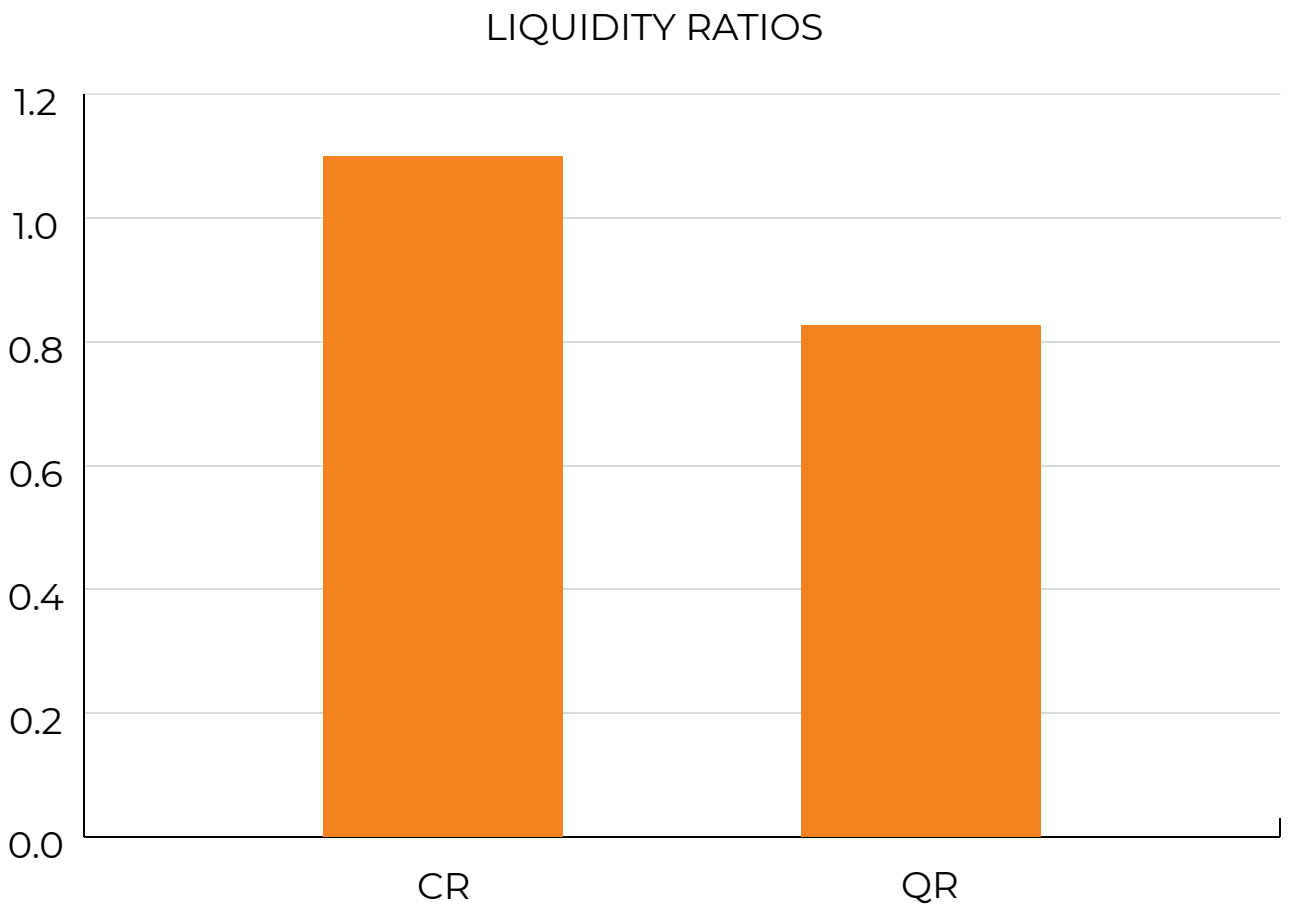
Although the company is acquiring enormous debts, they must stay invested in developing new products and future plans for expansion. But it is certain that the pharma mogul is using its debt wisely and has not gone overboard (yet). Of course, from the previous graphs we can say the plans have not started paying off as they should. But Sun Pharma shouldn't lose investor confidence since they most likely would not face a problem paying off their debts.

In short, the cash flow statement is on the questionable side of the scale, however, Sun Pharma has shown enough improvement to assure investors of better numbers in the future.

03

RATIO ANALYSIS

Liquidity Ratios



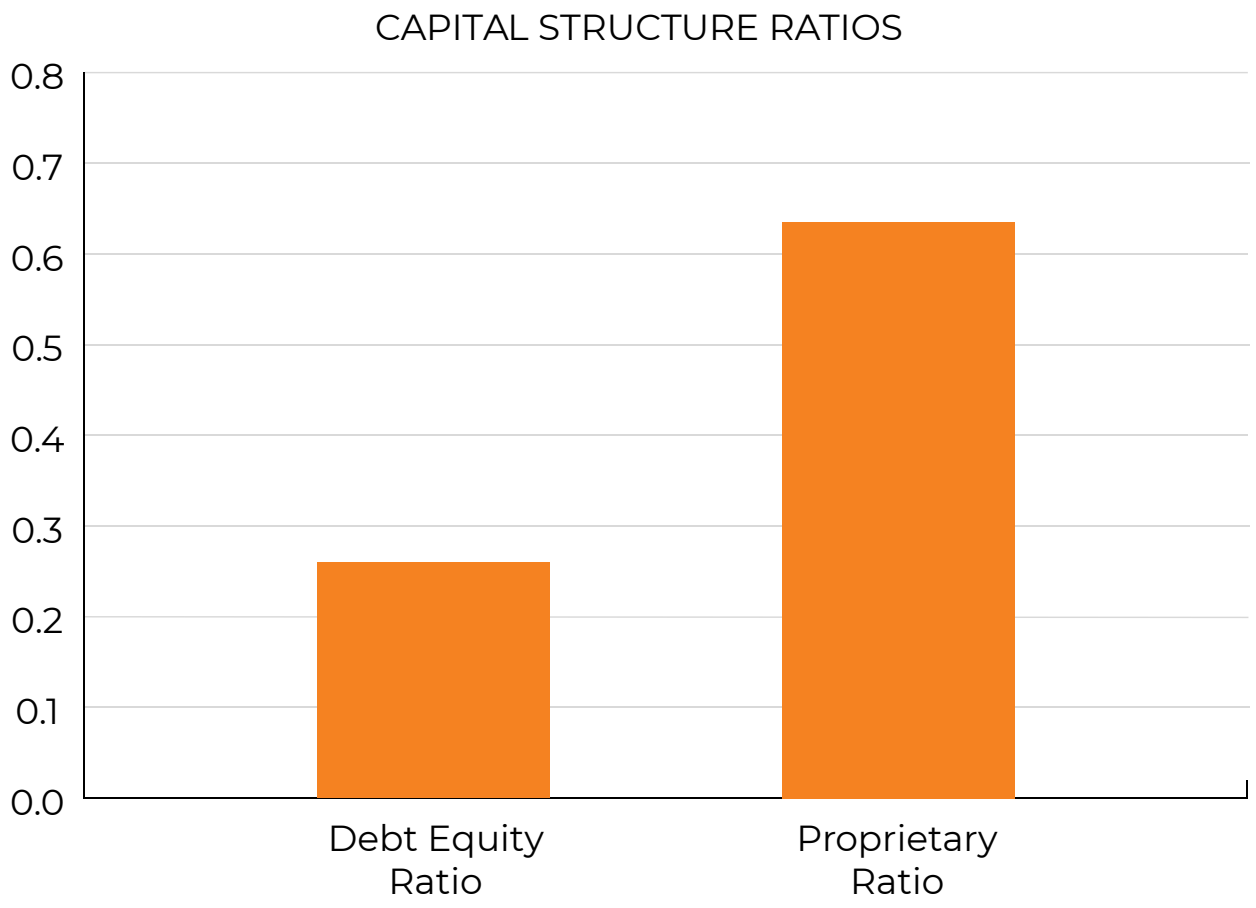
- **Liquidity Ratio** – The extent to which a company can convert its assets into cash (Liquidation) to fulfill short term obligatory payments (such as dividend payment, interest payment, rent payment, salaries and wages payment). {remember the ice cube analogy?}

  There are two ratios here:

  - **Current Ratio** – establishes the relationship between current assets and current liabilities. It attempts to measure the ability of a firm to meet its current obligations. What are current assets, you ask? The assets which can be converted into cash quickly to pay the short-term or current liabilities are called current assets. The Current Ratio for Sun Pharma as of March 2020 is **1.1** – far less than the ideal value of 2.

- **Quick Ratio** - is a more severe and stringent test of a firm's ability to pay its short-term obligations as and when they are due. The inventories and prepaid expenses are excluded from current assets while calculations, since they cannot be converted quickly enough into cash. As for current liabilities, Bank overdraft and Cash credit is excluded.
  The Quick Ratio for Sun Pharma is **0.82** – close to the ideal requirement of 1.

Capital Structure Ratios



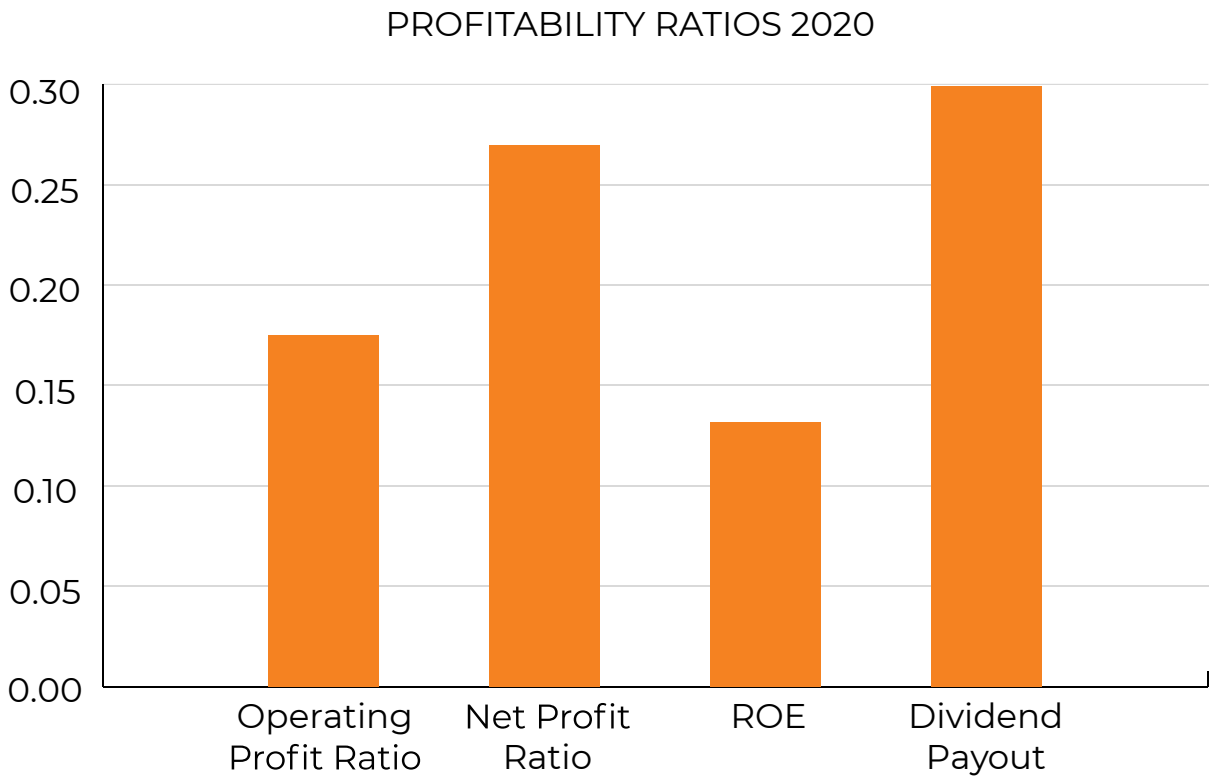
While the Liquidity Ratios indicate the short-term solvency, Capital Structure Ratios indicate the long-term solvency (here, soundness) of a firm and indicate the ability of the firm to meet its long-term commitment with respect to:

- Repayment of principal on maturity or in predetermined instalments at due dates.
- Periodic payment of interest during the period of the loan.

- **Debt Equity Ratio** - The Debt-Equity Ratio for Sun Pharma is **0.26**. This ratio indicates the owner's stake in the business. Excessively high ratio (and hence excessively high liabilities) might lead to insolvency. The **ideal D-E ratio is 1**, and since our number here is much less, the long-term solvency of Sun Pharma is unquestionable.

- **Proprietary Ratio** - serves as an indicator to the creditors who can find out the proportion of shareholders' funds in the total assets employed in the business. A higher proprietary ratio indicates secure position of the creditors in the event of insolvency of a concern. A lower ratio indicates greater risk to the creditors. We know that **ASSETS = LIABILITIES + EQUITY**. Higher the equity, lower the liabilities and hence, more secure the creditors.
  The Proprietary Ratio of Sun Pharma is 0.635 - secure, for now- worrisome only if the ratio slips down below 0.5 - because that is when the liabilities exceed the equity.

Profitability Ratios



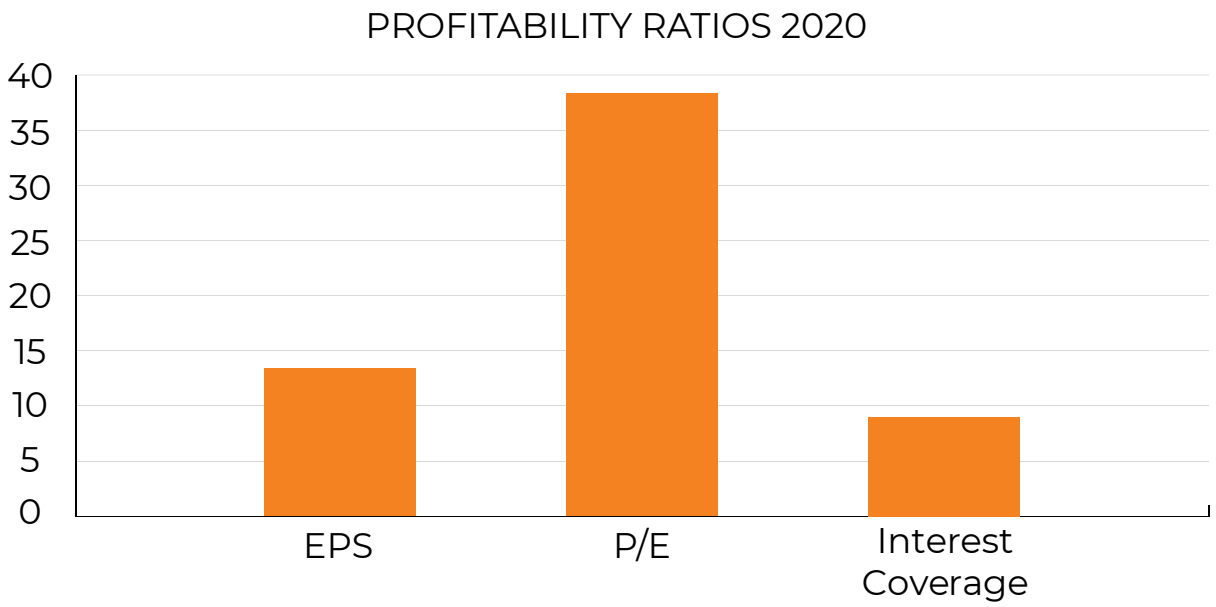
Profitability Ratios measure the operating efficiency of the firm, and its ability to ensure adequate returns to its shareholders.

- **Operating Profit** – Operating Profit Ratio indicates the operational efficiency of the firm and is a measure of the firm's ability to cover the total operating expenses. The Operating Profit ratio of Sun Pharma is **17.5%**, which means that its earnings before paying interest and taxes is **17.5%** of its total revenue.

- **Net Profit Ratio** – This ratio is indicative of the firm's ability to leave a margin of reasonable compensation to the owners/shareholders for providing capital, after meeting the cost of production, operating charges, interest expenses and taxes.
  The Net Profit ratio for Sun Pharma is a healthy **27%** of its total revenue.

- **ROE** – Return on Equity directly measures the return on the shareholders' investment – establishing a relationship between Net income and Total Equity.
  The ROE of Sun Pharma is **13.16%**, which means that the net profit generated is **13.16%** of the total shareholders' funds in the company.

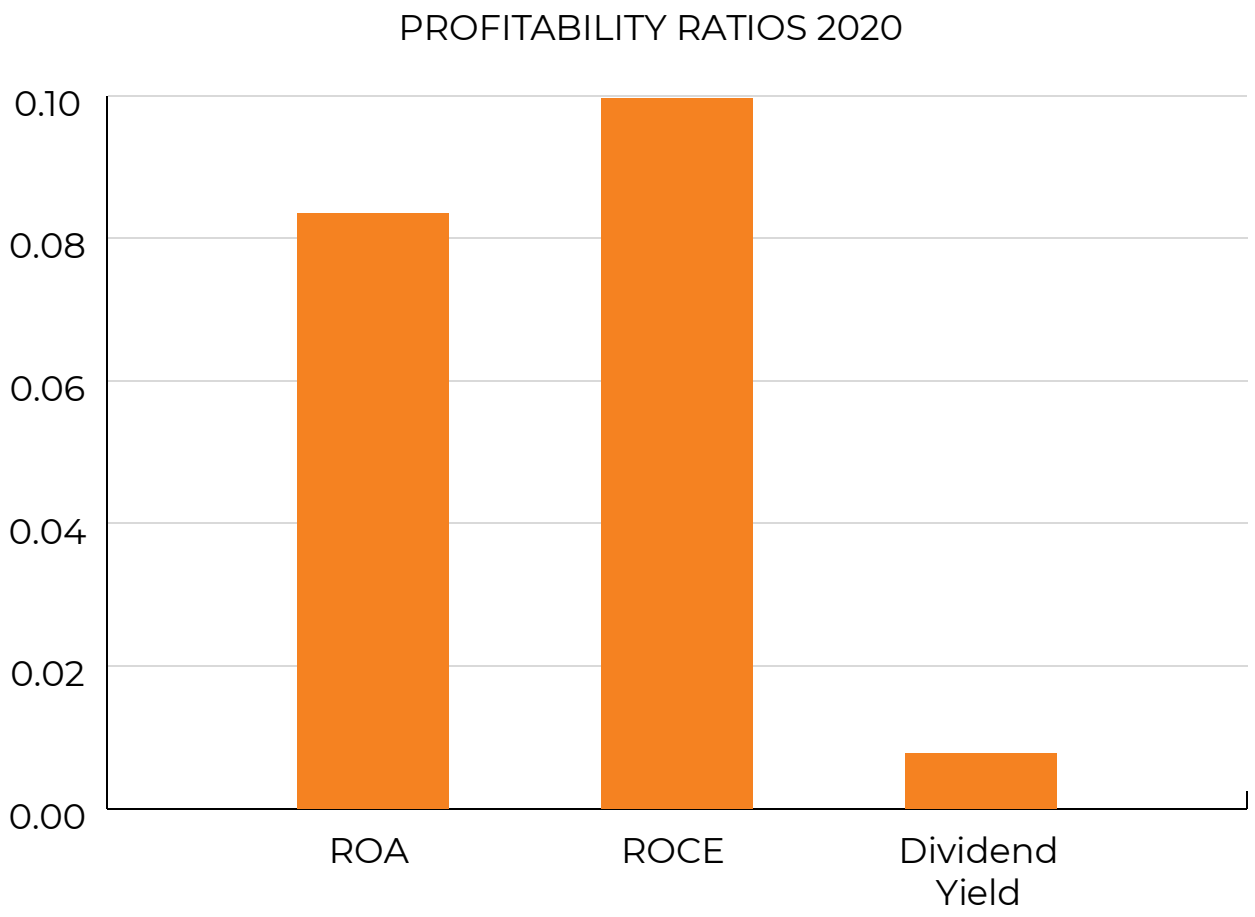
- **Dividend Pay-out** – It gives us a relationship between the dividend offered by a company per share, and the earning per share of the company.
  Sun Pharma has a dividend pay-out of **29.89%**. This means that Sun pharma has adopted a policy of paying a good **29.89%** of its Net income (after tax and preference dividend) to its shareholders by means of dividends.



- **EPS** – (Earnings per Share) measures the earning capacity of the company from the owner's point of view, and it is helpful in determining the price of the equity share in the market place. The EPS of Sun Pharma is **Rs 13.38**. This means that after paying preferred dividends, Sun Pharma earns **Rs 13.38** for one common share.

- **P/E** – Price to Earnings Ratio reflects the price currently being paid by the market for each rupee of currently reported EPS. As of March 2020, the P/E ratio of Sun Pharma is **38.333**, which is considerably high, meaning that the stock is a favourite among investors.

- **Interest Coverage Ratio** – It indicates a business' ability to earn sustained profits to pay the interest expenses periodically. The interest coverage ratio of Sun Pharma is **9**, which means that the earnings before interest and taxes is 9 times that of the total interest expense of Sun Pharma – hence indicating that Sun Pharma is in a very comfortable position when it comes to paying interest expense to lenders.

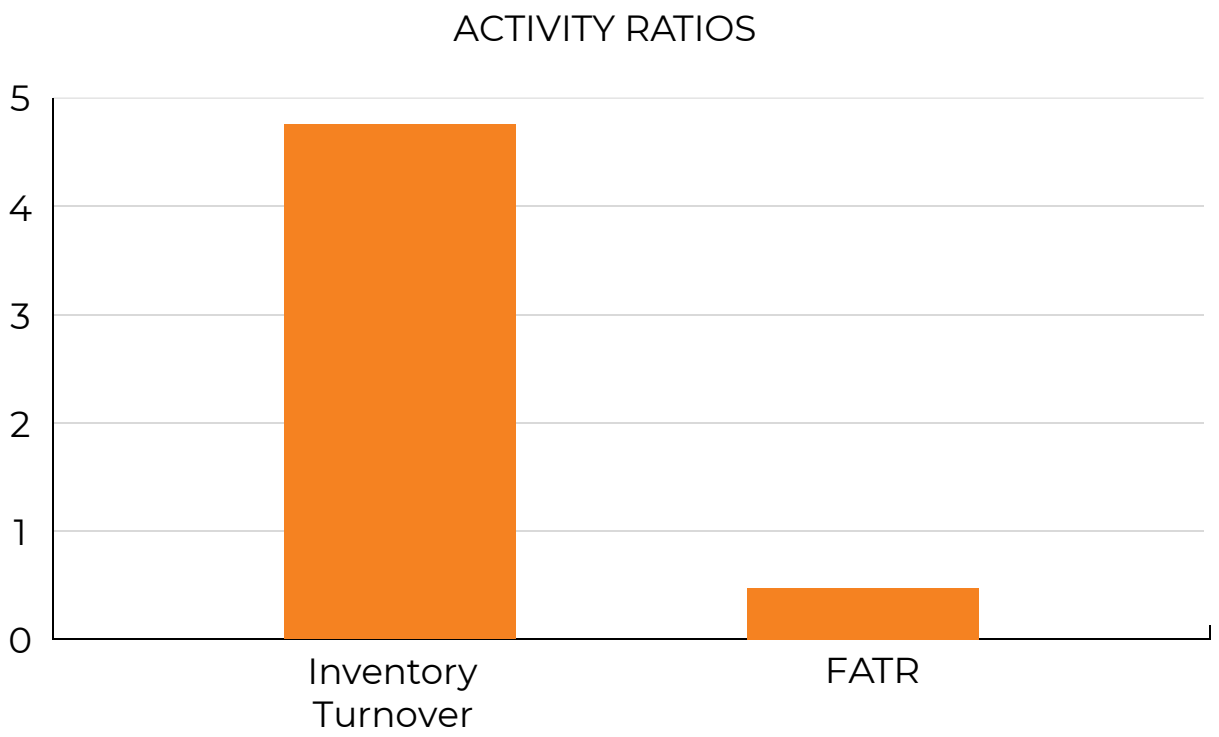


- **ROA** – Return on Assets gives us a relationship between the Net profits of a company and the total assets utilized by it. The ROA of Sun Pharma is **8.36%**, which means that its efficiency of utilizing its total assets to generate profits is 8.36%.

- **ROCE** – Return on Capital Employed Ratio measures a relationship between the profit and the capital employed. The capital employed would consist of the total assets less the current liabilities. ROCE for Sun Pharma is around **10%**.

- **Dividend Yield** – Dividend Yield Ratio indicates the relationship between dividend per share and market value per share. This ratio is a major factor that determines the dividend income from the investors' point of view. The dividend yield for Sun Pharma is **0.77%**, that is, the company pays a dividend of Rs 4 per share with respect to a market price of Rs 512 per share (March 31,2020).

Activity Ratios



Turnover means the number of times assets are converted or turned over into sales. These ratios indicate how well the assets of a company are being utilized.

- **Inventory Turnover Ratio** – shows us that how many times a company has sold and replaced inventory during a given period of time. The ITR of Sun Pharma is **4.758**. This means that Sun Pharma sells and replenishes its inventory almost **5** times a year. Having too high inventory ratio might indicate a low level of inventory and the danger of running out of stock. Too low ITR would mean that there is excessive inventory, meaning excessive storage costs incurred.

- **FATR** – Fixed Asset Turnover Ratio tells us how well a company utilizes its fixed assets – that is, the efficiency of assets management by the company. The FATR for Sun Pharma is **0.473**. This means that Sun Pharma has utilized 47.3% of its fixed assets to generate sales.

04
ESTIMATES & ANALYSIS

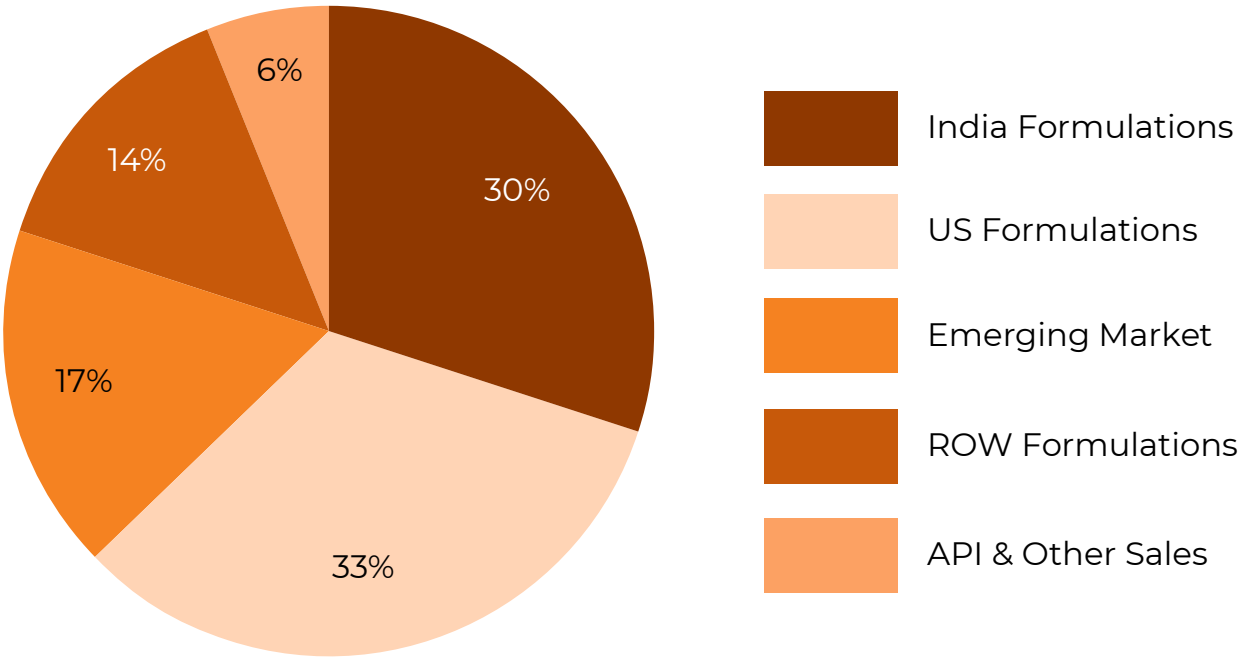
Revenue & Income Statement Analysis

The Ms in the bank account -

Revenue or the total income earned by a business is one of the most important factors in assessing a company's performance. For every product and/or service that a company provides, there can be several markets that provide a revenue opportunity. The collective of these is what we refer to as the total addressable market.

Sun Pharmaceuticals started out as an India based company that strategically expanded its markets across the globe. By March 2020, the company had generated a total of ₹323 Billion with a 13% growth over the previous year. Of the five markets that it currently operates in, India and US have been the major contributors to the revenue generated.

REVENUE STREAMS



However, as of last quarter - ending 30th June 2020, US sales have staggeringly declined with a de-growth of 28% over last year. This is evidence of the fact that the US business market has felt the burn of the COVID-19 lockdown. The effect is mainly on the sales of some specialty products that are clinically administered. Hence, the temporary shutdown of clinics led to a decline in sales. To further its loss, Sun Pharma also witnessed a significant decline in RoW (Rest of World) sales by 11% over last year. This decrease was mainly driven by lower sales in Japan clubbed with the decline in US subsidiary Taro's RoW sales.

Interestingly enough, the Indian business has managed to stay afloat with a muted growth of 3% over last year. Given the circumstances of the lockdown, this is a significant change and has helped India retain its market share – it currently holds 8.2% of the total market share according to the June 2020 AIOCD-AWACS MAT report. Another key highlight of this quarter is the 20% growth in API (active ingredients) sales which is a tremendous growth rate.

Particulars	Q1FY20	Q4FY20	Q4FY21	YoY%	QoQ%	Key Highlights
India Formulations	2313.67	2364.8	2388.43	3%	1%	Stunted growth mainly due to COVID-19
US Formulations	2947.43	2712.88	2136.41	-28%	-21%	Decline in growth due to closure of clinics amid the COVID-19 Lockdown - Specialty Product sales take a hit.
Emerging Market	1348.57	1353.97	1316.06	-2%	-3%	Decline is driven by reduction in tender revenues in the South Africa business
ROW Formulations	1159.13	1121.22	1029.97	-11%	-8%	Decline due to lower sales in Japan and (subsidiary) Taro's RoW sales
Bulk (API)	461.18	483.43	553.74	20%	15%	

Clearly, Sun Pharma has had its share of highs and lows; but will it sustain for good in the future?

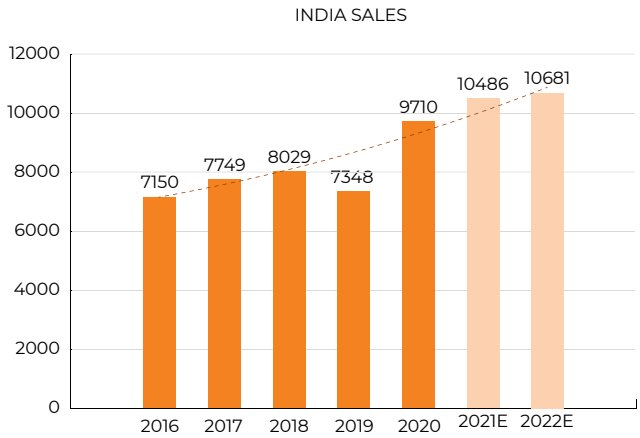
For starters, let's see what their product pipeline looks like –

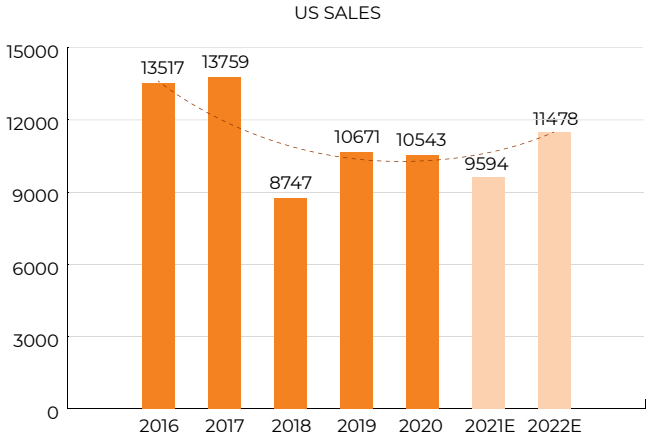
- For Q1FY21, India has launched 10 new products in the market and is actively looking to expand its geographical footprint to increase revenue opportunities.

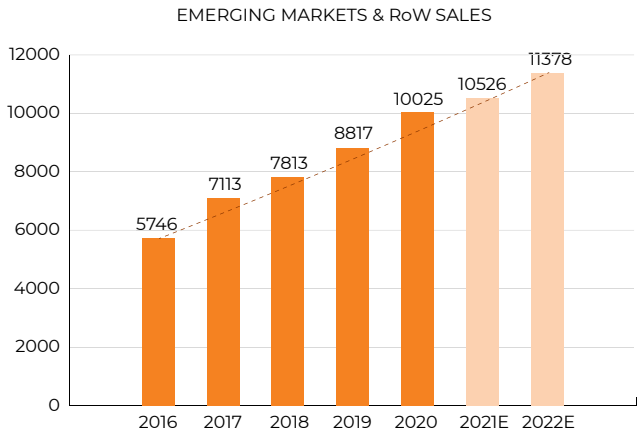
- The US market has a comprehensive offering of 491 approved ANDAs while filings for 95 ANDAs await USFDA approval, including 20 tentative approvals. For Q1FY21, they have filed for 7 ANDAs and received 8 approvals. The pipeline also includes 55 approved NDAs while 6 NDAs await USFDA approval.

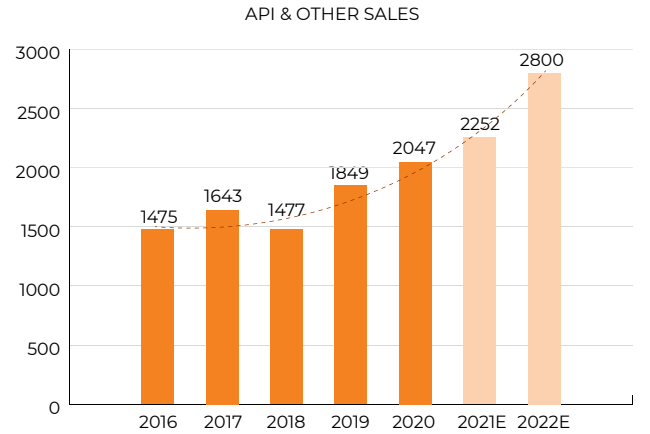
- Although some of its products have taken a massive hit, the US business has not lost market share for any of its key specialty products. Additionally, Sun Pharma will continue to increase the API supply to ensure vertical integration and continuity of supply chain for their formulations business.

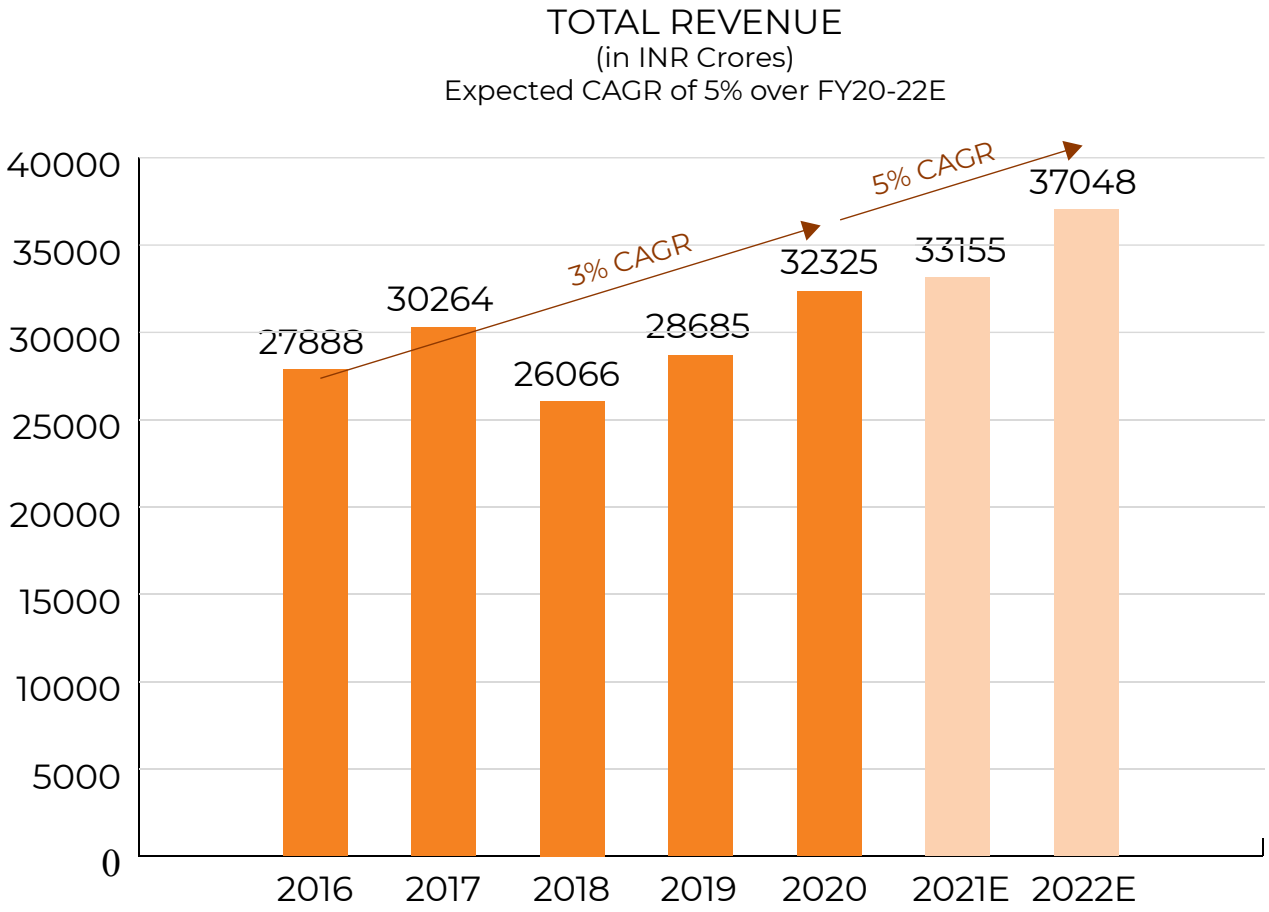
Despite the drastic decline in the markets, given the overall product pipeline, past performance and current operational shifts, the revenues are expected to grow over the next 2 years with a CAGR of 5%.











The Sun-Rise: Decoding the company's Profit & Loss

Although a simple revenue analysis gives us an overall picture of the company's performance and future scope, it's usually not enough to determine how well it is actually doing. For a more objective analysis, let's look at the Profit & Loss (P&L) Statement. The P&L statement also called the income statement provides a summary of the revenue, expenditures and net income of any company. It helps investors judge its profitability and overall performance over a period of time (yearly or quarterly).

FINtionary : The Financial Dictionary

- **EBITDA** – a measure of the profitability of the operational activities (the sales of its products) of a company. It calculates the total earnings while ignoring the effects of tax, interest and non-cash expenses (fancy alternative terms: depreciation & amortization). This helps paint an idea of the total operational cash flow and is a useful indicator for comparison with other competitors in the industry.

- **EBITDA Margin** – The margin is nothing but a ratio of EBITDA to the total sales of the quarter or year. It basically tells us how operationally efficient the company is.

- **PBT (Profit Before Tax)** – The total operational profit earned before levying any tax. By ignoring the tax expense, PBT focuses on the true operational profitability. Since different companies may have different tax structures it may be difficult to compare their performance. PBT resolves this issue by providing a uniform base of comparison independent of tax.

- **PAT (Profit After Tax)** – The total operational profit after deducting tax expenses. This is also referred to as the net income earned from the business.

- **Adjusted PAT** – The profits calculated after making adjustments to the PAT by adding any exceptional items such as large one-time expenditures, salaries of the owners and/or management, etc. In simpler terms, adjusted PAT is a measure of the true profit earned at the end of the quarter/year.

Consolidated Income Statement Analysis

Particulars	Q1FY20	Q4FY20	Q1FY21	YoY%	QoQ%	Key Highlights
	30.06.2019	31.03.2020	30.06.2020			
Revenue	8374.4	8184.9	7585.3	-9%	-7%	Decline in revenue due to COVID-19 Lockdown and heavy drop in US sales
Raw Material Expense	2457.8	2304.8	1969.6	-20%	-15%	
Employee Expenses	1540.4	1651.9	1759	14%	6%	
Other Expenditure	2380.6	2865.2	2013.1	-15%	-30%	
Total Expenditure	6378.8	6821.9	5741.7	-10%	-16%	Lower expenditure due to reduced marketing, selling and transport expenses across markets. Lower material costs on accounts of efficiencies and management of inventory.
EBITDA	1995.6	1363	1843.5	-8%	35%	
EBITDA Margin (%)	23.8	16.7	24.3			
Depreciation	457.1	575.4	495.9	8%	-14%	
Other Income	213	102.2	153.8	-28%	50%	
Interest	104.1	51.8	52	-50%	0%	
PBT	1647.4	577.4	-2183.9	-233%	-478%	
Total Tax	146.1	83.1	245.9	68%	196%	
Minority Interest	109.2	92.9	-770.6	-806%	-929%	
PAT (Net Income)	1387.5	399.8	-1655.6	-219%	-514%	Net loss due to exceptional item : Taro's settlement with the US DOJ for $418.9M (~₹3,178.14 Crore) and an additional $60M (~₹455.19 Crore) for related ongoing multi-jurisdiction civil antitrust matters.
Adjusted PAT	1387.5	660.5	1146	-17%	74%	

The first line item of the P&L indicates the revenue figures - Sun Pharma's consolidated revenue decreased by 9% Year-on-Year to ₹7585.3 Crores. This decline is attributed to the heavy drop in US sales (discussed earlier) due to the temporary closure of clinics during the COVID-19 lockdown.

Interestingly, even though the revenues decreased, there is an increase in EBITDA margins indicating increased profitability. This increase is driven by the high reduction in its operational expenditures – involving reduction of raw material costs, marketing expenses, transportation and selling costs. The employee expenses are higher by 14% YoY due to lower sales base in Q1 last year and increased man power in the US and Indian markets as a strategy to cover more geographical base. Evidently enough, the company was quick to mitigate risks and make strategic operational changes to cope with the current economic crisis.

Although profitability was expected to increase, the net income for Q1FY21 remains negative due to the exceptional expense incurred by Taro. The company had a provision of about US$419 million related to the settlement with the US Department of Justice with an additional US$60 million for the related ongoing multi-jurisdiction civil antitrust matters.

Upon adjusting for this exceptional item inclusive of a minority interest of ₹832 Crores, the company had an adjusted net profit of ₹1146 Crores. However, in reality the company had a net loss of ₹1655 Crores. What this essentially means is that if the company had not incurred this huge settlement cost, it would've expected profits which is reflected by the Adjusted PAT value.

The Verdict

Thus, in conclusion, it's safe to say that Sun Pharmaceuticals has indeed performed well in Q1FY21 given the extraordinary circumstances. Further, the negative net income and revenue figures do not necessarily reflect the true

potential of the pharmaceutical magnate. That being said, we're expecting higher estimates for FY21/22E in light of the comprehensive product pipeline, reduction in opex and outperformance of domestic formulations and APIs.

Particulars	2018	2019	2020	2021E	2022E
Revenue	26,489.4	29,065.9	32,837.6	33,155.0	37,048.0
EBITDA	5,608.2	6,307.6	6,989.7	7,128.3	8,150.6
EBITDA Margin (%)	21.2%	21.7%	21.3%	21.5%	22%
Adjusted PAT	3,112.1	3,841.2	4,025.6	4,442.8	5,557.2
Adjusted EPS	13	16	16.8	19.0	21.0

Analysts Disclosure

I, **Amrusha Buddhiraju**, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities.

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