



Sun Pharmaceutical Industries Limited

Instrument	Amount (in Rs. Crore)	Rating Action
Short-Term Working Capital Facilities	Rs. 600.00	[ICRA]A1+ Assigned
Commercial Paper/Short-Term Debt Programme	Rs. 2,000.00	[ICRA]A1+ Assigned

The rating of [ICRA]A1+ (pronounced ICRA A One Plus) has been assigned to the Rs. 600 crore working capital facilities and Rs. 2,000 crore Commercial Paper/Short-Term Debt Programme of Sun Pharmaceutical Industries Limited (Sun Pharma).

The assigned rating takes into consideration Sun Pharma's strong business profile characterised by its leading market position and well established presence in the chronic therapy segment of the Indian Pharmaceutical market, its strong presence in U.S. generics segment and financial profile characterised by strong credit metrics and sizeable cash reserves and liquidity. With the acquisition of Ranbaxy Laboratories Limited for an enterprise value of US\$ 4 billion, Sun Pharma has further strengthened its business profile by a) widening its presence in the domestic formulations space, U.S. generics, emerging markets (especially Russia, East Europe and Africa) as well as R&D capabilities.

The rating also factors in expectation that Sun Pharma is likely to maintain strong revenue growth across business segments driven by its well established presence (in India) and strong pipeline of products pending (149 ANDAs pending in the US) for approval in the international generics markets, especially United States. Although post the acquisition of Ranbaxy, Sun Pharma's profitability indicators will contract meaningfully given Ranbaxy's weaker earnings profile over the past few years but they are likely to remain strong, which along with robust cash flow generation and substantial cash surplus will continue to support the rating.

With the completion of Ranbaxy's merger, the key challenge that Sun Pharma faces is the ability to successfully integrate a relatively large acquisition, implement measures to resolve challenges faced by Ranbaxy's manufacturing units in securing FDA compliance and capitalizes on possibilities of enhancing cost efficiencies and R&D productivity. Further, the likelihood of pricing pressure intensifying in the U.S. generic space, litigation related risk and adverse action by US FDA in relation to compliance with regulators expectations remain key sensitivity.

Company Profile

Sun Pharma is a leading Indian pharmaceutical company engaged in developing, manufacturing and marketing formulations and APIs. Its business is broadly categorized in four segments – India Branded Generics, US Formulations, International Generics or RoW business and APIs. The company has strong branded generics business in India, which accounted for 23% of the consolidated turnover in 2013-14. Along with Ranbaxy, Sun has market leadership in as much as 11 different doctor categories in the domestic formulation market with 31 brands in the list of top-300 brands.

Among markets, United States is the most important market for Sun, contributing 60% to revenues. Driven by acquisitions, ramp-up in ANDAs pipeline and Para IV opportunities, US has been key growth driver for the company with 73% CAGR growth in revenues over the past five years. Besides the recent acquisition of Ranbaxy, some of the key acquisitions of the company include Taro Pharma, Caraco, DUSA Pharma and URL Pharma. Apart from India and US, Sun is looking to enhance its presence in other markets especially Central & East Europe, Latin America, Russia and CIS. At present, these markets, collectively accounted for 12% of company's turnover in 2013-14 and have grown at a CAGR of 41% over the past five years (FY10-14).



Sun Pharma is promoted by Mr. Dilip Shanghvi who has originally formed Sun Pharma as a partnership firm in 1982 to manufacture drugs. In 1993, the firm was constituted as a limited company. With the acquisition of Ranbaxy, the promoter's stake in the company has reduced 54.7% compared to 63.4% with Daiichi Sankyo holding 9% as the second largest shareholder. Sun Pharma is listed in both the stock exchanges in India and had a market capitalisation of Rs. 231,680 crore (as on 15th April 2015).

Recent Results

In 9m FY 2015, Sun Pharma, on a consolidated basis (excluding Ranbaxy), reported an operating income of Rs. 13,000 crore and a profit after tax (PAT) of Rs. 4,388 crore as compared to an operating income of Rs. 12,022 crore and PAT of Rs. 1,617 crore. In FY 2014, the company's PAT stood lower primarily due to the provisioning of Rs. 2,517 crore related to protonix patent litigation.

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