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# SUN PHARMA ADVANCED RESEARCH COMPANY LIMITED

Equity Analysis (02 January 2024)

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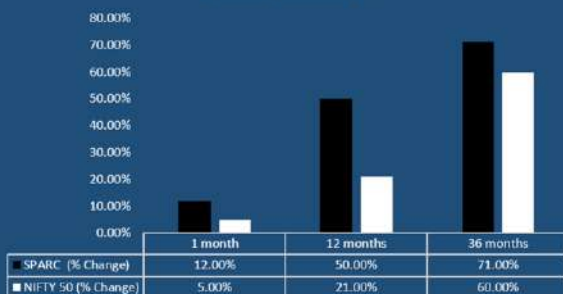
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## Introduction

Sun Pharma Advanced Research Company Limited, an Indian biopharmaceutical firm, focuses on global research and development of pharmaceuticals, emphasizing oncology, neurodegeneration, ophthalmology, dermatology, and immunology. Their products include treatments for epilepsy, glaucoma, neonatal seizures, and ongoing clinical trials for conditions like ocular inflammation, glaucoma, leukemia, Parkinson's disease, psoriasis, atopic dermatitis, and breast cancer. Established in 2006 and headquartered in Mumbai, India.

Recommendation	Buy	
Risk Profile	Moderate	
Current Market Price (₹)	332.40	
52 Week Low-High (₹)	162.10 – 342.00	
Market Capitalisation (₹)	99.79 billion	
Outstanding Shares	324.52 million	
PE (TTM)	-	
EPS (₹) (TTM)	-7.80	
Dividend Yield	-	
Ex-Date/Pay-Date	-	
Enterprise Value (EV)/Sales (LTM)/(FY-1)	43.0x	46.4x
EV/EBITDA (LTM)/(FY-1)	-	-
Price/Book Value (LTM)/(FY-1)	30.1x	201.8x

Performance Chart



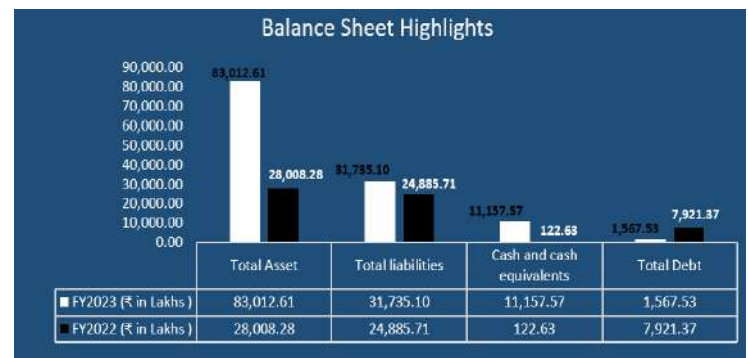
## Operating Performance



Source: Company Reports, Chart Prepared by Kaproots Global

- In FY23, total revenue was ₹24,965.75 lakhs against ₹14,409.35 lakhs in FY22.
- In FY23, the company's net loss was ₹22,258.35 lakhs against ₹20,339.54 lakhs in FY22.
- Cash used in operating activities was ₹6,911.79 lakhs in FY23 against cash used was ₹20,823.25 lakhs in FY22.
- Cash used in investing activities was ₹54,827.80 lakhs in FY23 against ₹2,916.70 lakhs in FY22.
- Cash from financing activities was ₹61,675.53 lakhs in FY23 against cash from ₹22,932.09 lakhs in FY22.

## Balance Sheet Highlights



Source: Company Reports, Chart Prepared by Kaproots Global

### Compared to the FY2022, in FY2023:

- Total asset increased by 196.39% to ₹83,012.61 lakhs.
- Total liabilities increased to ₹31,735.10 lakhs.
- Cash and cash equivalents increased to ₹11,157.57 lakhs.
- Total debt decreased to ₹1,567.53 lakhs.

## Ratio Analysis

Fiscal Quarters	1Q FY2023	2Q FY2023	3Q FY2023	4Q FY2023	1Q FY2024	2Q FY2024
Return on Assets	-	-	-	-	-	-
Return On Equity %	-1054.75%	-	-	-166.44%	-74.38%	-81.87%
Return on Total Capital	-183.11%	-177.83%	44.09%	-74.96%	-49.81%	-54.13%
EBITDA Margin %	-275.33%	-198.95%	11.54%	-184.80%	-	-
Gross Profit Margin %	79.97%	82.31%	96.15%	74.85%	78.41%	69.45%
Net Income Margin %	-289.35%	-216.87%	7.74%	-171.93%	-	-
Asset Turnover	-	-	-	-	-	-
Inventory Turnover (Average Inventory)	-	-	-	-	-	-
Current Ratio	-	0.2	-	2.5	-	2.1
Days Sales Outstanding (Average Receivables)	-	-	-	-	-	-
Days Payable Outstanding (Avg)	-	-	-	-	-	-
Cash Conversion Cycle (Average Days)	-	-	-	-	-	-

Source: Koyfin, Chart Prepared by Kaproots Global

## Investment Highlight

Sun Pharma Advanced Research Company Limited (SPARC) achieved significant milestones in late-stage assets this year. Key highlights include USFDA approval of NDA and licensing for SezabyTM (phenobarbital sodium for injection), along with NDA filing of PDP-716 (brimonidine OD) in collaboration with Visiox Pharma. Their clinical programs are actively recruiting patients globally, expecting completion of patient recruitment for SCC-138 and conducting a comparator trial to support SCO-088's registration. Notably, SPARC progressed SCC-138 in a Phase 2 study for Parkinson's Disease, evaluating multiple biomarkers to gauge the drug's impact on disease progression. Preclinical programs are on track, aiming to file an IND for SCD-153 in FY24 and for SBO-154 in FY25. SPARC's strategic partnerships focus on leveraging technology for efficient drug development and wisely investing in key areas aligned with their evolving portfolio of programs.

## Outlook

SPARC has strategically shifted its focus towards developing novel chemical entities (NCEs) and new biological entities (NBEs). With a robust portfolio of assets in clinical development, the upcoming year will emphasize precise execution to meet predefined program milestones. Immediate priorities involve collaborating to restore the supply of approved products, ensuring completion of patient recruitment in ongoing clinical studies, and preparing for the successful launch and NDA approval of PDP-716 with Visiox Pharma. Initiating Phase 1 studies for SCD-153 in FY24 and SBO-154 during FY25 is a key objective. Collaborations with academia aim to expand SPARC's preclinical pipeline. Anticipating significant value creation through various upcoming milestones, SPARC will continue to fortify competencies aligned with its broader portfolio strategy. Positioned favorably in the global landscape, SPARC stands as a potential catalyst for success in India's burgeoning innovation industry.

## Risks

The company has exposure to the following risks -

- Operational risk
- Technological risk
- Health and Security risk
- Clinical Trial risk

## Technical Analysis



Source: TradingView, Analysis by Kaproots Global

Company Name	Ticker	Sector	CMP (₹)	Advisory Date	Rating	Target (₹)	Target 2 (₹)	Stop Loss (₹)
Sun Pharma Advanced Research Company India Limited	SPARC	Health Care	332.40	2 January 2024	Buy	375.55	433.70	285.85

The stock of biopharmaceutical company SPARC settled at ₹332.40 on 02 January 2024 after a gain of nearly 8% from the previous day's closing. It is currently trading near its 52-week high price level.

The stock price is trading above the significant exponential moving average (EMA) of 20, 50, and 200 days on a daily time frame, holding a bullish momentum for the near term. The stock is trading near the central pivot (₹331.15), showing a bullish reversal on a daily time frame chart.

RSI (14 days) is at 77, showing a bullish momentum above the breakout zone in the index.

**Based on these facts, buying can be initiated at the current market price (CMP) level for the potential targets of ₹375.55 (pivot resistance R2) and ₹433.70 (30% upside) in the coming days. Investors can book either full or partial profits at target one and wait for the stock to achieve target two (depending on their risk appetite).**

**Investors are advised to keep a strict stop loss at or below ₹285.85 (previous swing support) to protect their investments in case of an unfavourable movement in the stock due to any uncertain event.**

**Please Note: It would be in the best interest of investors to trail their stop-loss upward if the stock is moving in our favourable direction.**

## Investment Summary

The company's stock has outperformed NIFTY 50 in one month, one year and three-year timeframe. Current ratio for 2QFY24 stood at 2.1x, implying that the company possess better capabilities to meet its short-term obligations. Compared to the previous corresponding period, it has shown robust growth in its total revenue in FY23. The company's total assets increased by 196.39%, it means that the company's overall value and resources have expanded, indicating a positive development in its financial condition and potential for improved profitability. The company has increased its cash used in investing activities in FY23, implying that it is increasing its capital expenditure for its future operations. The Gross Profit Margin stood at 69.45% indicates that the company has a strong ability to generate profits from its products or services, with a high margin of revenue left after deducting the direct costs.

Considering all the above factors and the current trading level, we recommend a "Buy" rating on the stock at the current market price of ₹332.40 as of 02 January 2024.

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*The information contained in this website is general information only. Any advice is general advice only. No consideration has been given or will be given to the individual investment objectives, financial situation or needs of any particular person. The decision to invest or trade and the method selected is a personal decision and involves an inherent level of risk, and you must undertake your own investigations and obtain your own advice regarding the suitability of this product for your circumstances. Please be aware that all trading activity is subject to both profit & loss and may not be suitable for you. The past performance of this product is not and should not be taken as an indication of future performance.*

*Disclosure: The information mentioned above has been sourced from the company reports and a third-party database, i.e., Koyfin. Investors are advised to use strict stop-loss to protect their investments in case of any unfavorable/uncertain market events.*