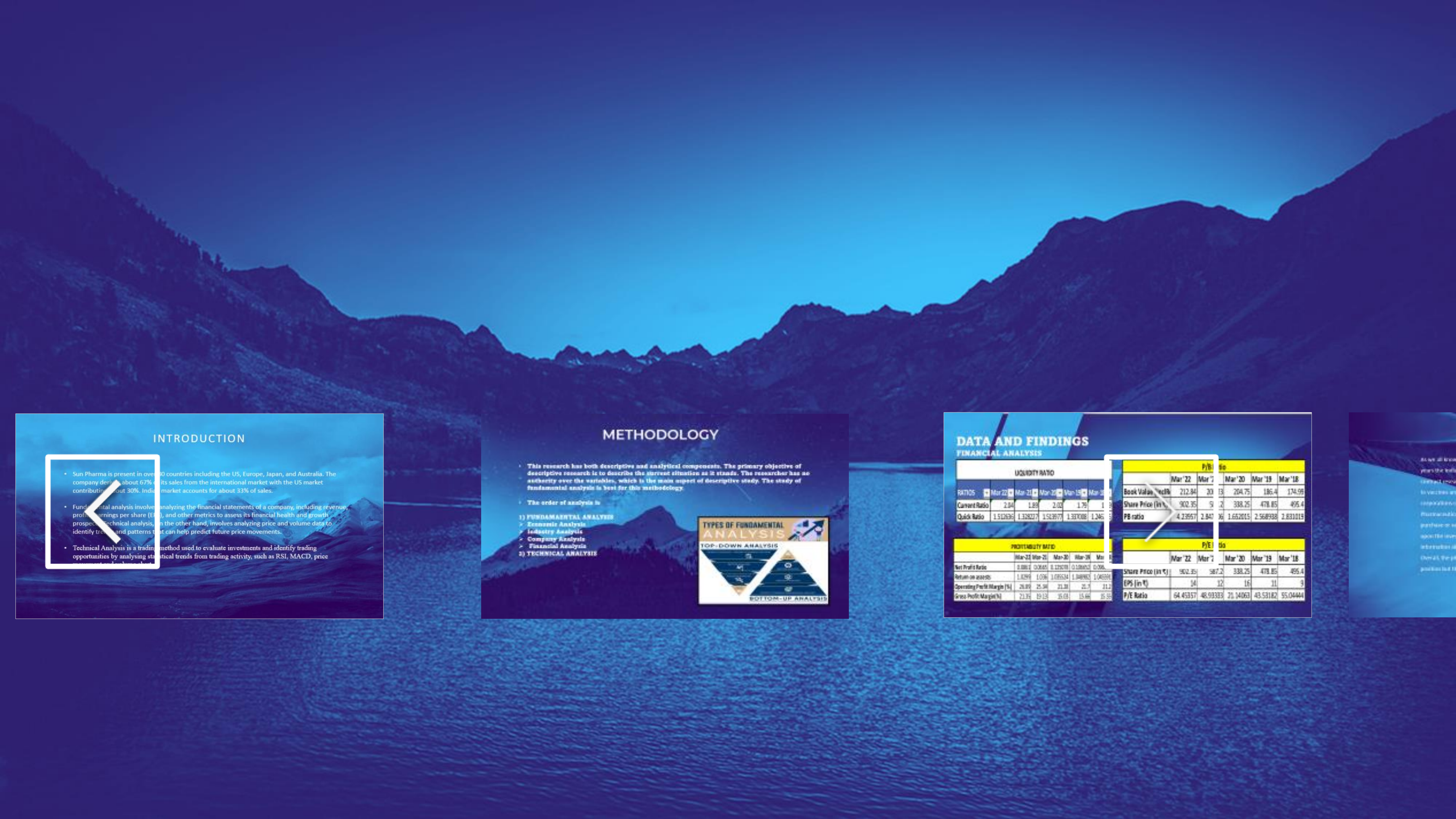
ANALYSIS OF SUN PHARMACEUTICAL INDUSTRIES LIMITED WITH THE HELP OF FUNDAMENTAL AND TECHNICAL ANALYSIS METHOD

Presented By:
SAMIKSHA RAM
(0336)
MBA PM 13
IIHMR University, Jaipur

Guided By:
Dr. Saurabh Banerjee
Associate Professor and Dean SPM
IIHMR University, Jaipur.

INTRODUCTION

- Sun Pharma is present in over 80 countries including the US, Europe, Japan, and Australia. The company derives about 67% of its sales from the international market with the US market contributing about 30%. Indian market accounts for about 33% of sales.
- Fundamental analysis involves analyzing the financial statements of a company, including revenue, profits, earnings per share (EPS), and other metrics to assess its financial health and growth prospects. Technical analysis, on the other hand, involves analyzing price and volume data to identify trends and patterns that can help predict future price movements.
- Technical Analysis is a trading method used to evaluate investments and identify trading opportunities by analysing statistical trends from trading activity, such as RSI, MACD, price movement and volume chart.


INTRODUCTION
Sun Pharma is present in over
0 countries including the US, Europe, Japan, and Australia. The
about 67%
its sales from the international market with the US market
out 30%. India
market accounts for about 33% of sales.
ntal analysis involve
analyzing the financial statements of a company, including revenue,
arnings per share (E
), and other metrics to assess its financial health and growth
echnical analysis,
n the other hand, involves analyzing price and volume data to
and patterns t
at can help predict future price movements.
Technical Analysis is a tradin
method used to evaluate investments and identify trading
opportunities by analysing sta
stical trends from trading activity, such as RSI, MACD, price
METHODOLOGY
This research has both descriptive and analytical components. The primary objective of descriptive research is to describe the current situation as it stands. The researcher has no authority over the variables, which is the main aspect of descriptive study. The study of fundamental analysis is best for this methodology.
The order of analysis is
1) FUNDAMAENTAL ANALYSIS
Economic Analysis
Industry Analysis
Company Analysis
Financial Analysis
2) TECHNICAL ANALYSIS
TYPES OF FUNDAMENTAL ANALYSIS
TOP-DOWN ANALYSIS
BOTTOM-UP ANALYSIS
DATA AND FINDINGS
FINANCIAL ANALYSIS
LIQUIDITY RATIO
PROFITABILITY RATIO


DATA AND FINDINGS
FINANCIAL ANALYSIS

LIQUIDITY RATIO					
RATIOS	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18
Current Ratio	2.04	1.89	2.02	1.79	1.99
Quick Ratio	[illegible]2636	1.328227	1.[illegible]3977	1.337008	1.246215

P/B Ratio					
	Mar '22	Mar '21	Mar '20	Mar '19	Mar '18
Book Value (Incl R	212.84	206.23	204.75	186.4	174.99
Share Price (in ₹)	902.35	587.2	338.25	478.85	495.4
PB ratio	4.23957	2.847306	1.652015	2.568938	2.831019

PROFITABILITY RATIO					
	[illegible]	[illegible]	Mar-20	Mar-19	Mar-18
Net Profit Ratio	0.0861	0.0645	0.129078	0.108652	0.096658
Return on assets	1.0299	1.036	1.039534	1.048982	1.045891
Operating Profit Margin (%)	26.89	25.34	21.38	20.7	31.2
Gross Profit Margin(%)	21.36	19.13	15.03	15.66	15.59

P/E Ratio					
	Mar '22	Mar '21	Mar '20	Mar '19	Mar '18
Share Price (in ₹)	902.35	587.2	338.25	478.85	495.4
EPS (in ₹)	14	12	16	11	9
P/E Ratio	64.45357	48.93333	21.14063	43.53182	55.04444


CONCLUSION
As we all know India is one of the fastest growing economies in the world. For the past few years the Indian Pharmaceutical Industry is performing very well. The varied functions such as contract research and manufacturing, clinical research, research and development pertaining to vaccines are the strengths of the Pharma Industry in India. Multinational pharmaceutical corporations outsource these activities and help the growth of the sector. The Indian Pharmaceutical Industry has a bright future. Fundamental Analysis insists that no one should purchase or sell a share on the basis of tips and rumours. The fundamental approach calls upon the investor to make his buy or sell decision on the basis of a detailed analysis of the information about the company, the industry to which the company belongs and the economy. Overall, the pharmaceuticals companies have a good and satisfactory liquidity and leverage position but they need to work on their Profitability and efficiency position.

INTRODUCTION

- Sun Pharma is present in over 80 countries including the US, Europe, Japan, and Australia. The company derives about 67% of its sales from the international market with the US market contributing about 30%. Indian market accounts for about 33% of sales.

- Fundamental analysis involves analyzing the financial statements of a company, including revenue, profits, earnings per share (EPS), and other metrics to assess its financial health and growth prospects. Technical analysis, on the other hand, involves analyzing price and volume data to identify trends and patterns that can help predict future price movements.

- Technical Analysis is a trading method used to evaluate investments and identify trading opportunities by analysing statistical trends from trading activity, such as RSI, MACD, price movement and volume chart.

PURPOSE OF THE RESEARCH

- The purpose of this study is to provide a comprehensive understanding of Sun Pharmaceuticals' financial health and stock market trends, using a combination of fundamental and technical analysis methods.
- By analysing key financial ratios and technical indicators, this research aims to identify trends and patterns in the company's performance and provide insights into potential areas for growth and improvement.
- This research can help investors identify potential investment opportunities and manage risks associated with investing in the pharmaceutical sector

RESEARCH QUESTION

What is the financial and stock market performance of Sun Pharmaceuticals over a period of five years, and how can a combination of financial and technical analysis methods be used to gain insights into the company's strengths, weaknesses, and potential growth opportunities?

OBJECTIVES

- Study financial indicators such as financial reports, balance sheet, P&L statement with its market presence along with competitive landscape.
- Do the technical analysis for knowing the trends and factors affecting the price variation and trading patterns.
- Assess the possible benefits and dangers of investing in Sun Pharmaceuticals.
- Assess Sun Pharmaceuticals' financial standing over a five-year period by looking at important financial statistics such revenue growth rate, gross margin, net profit margin, ROE, debt to equity ratio, and price to earnings ratio.
- Examine Sun Pharmaceuticals' stock market patterns using technical analysis tools including volume, Bollinger's band, relative strength index, and moving averages.
- Spot patterns and trends in the business's financial and stock market performance and to offer suggestions for prospective areas of development and enhancement.
- Comprehend, through qualitative examination of main and secondary data sources, the aspects influencing the company's performance, such as regulatory considerations, rivalry, and industry trends

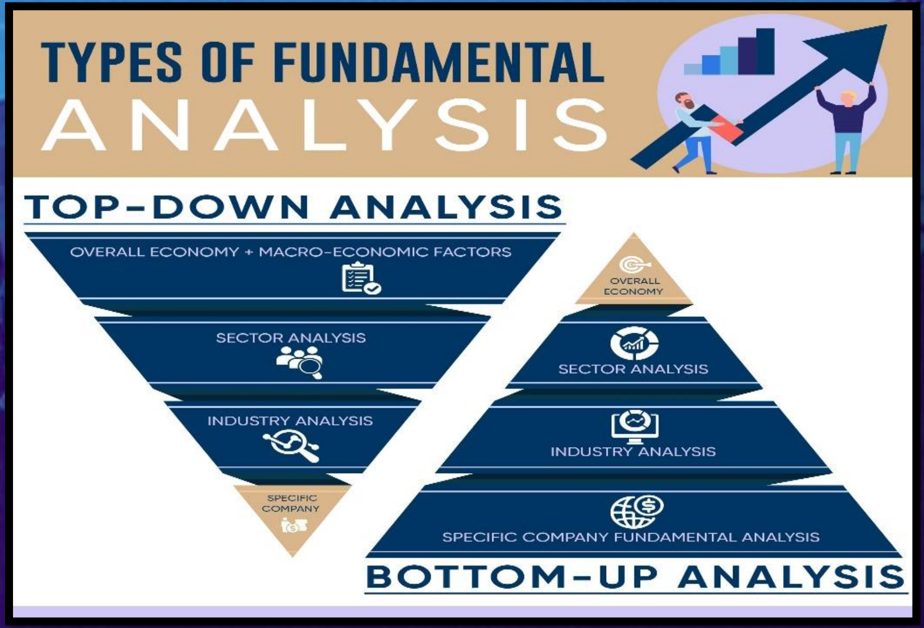
METHODOLOGY

- This research has both descriptive and analytical components. The primary objective of descriptive research is to describe the current situation as it stands. The researcher has no authority over the variables, which is the main aspect of descriptive study. The study of fundamental analysis is best for this methodology.

- The order of analysis is

1) FUNDAMAENTAL ANALYSIS
- ➢ Economic Analysis
- ➢ Industry Analysis
- ➢ Company Analysis
- ➢ Financial Analysis

2) TECHNICAL ANALYSIS



FUNDAMENTAL ANALYSIS

ECONOMIC ANALYSIS

- **Sun Pharmaceuticals is renowned across the world for its wide selection of both generic and branded medications.**
- **In terms of revenue and market share, Sun Pharmaceuticals has grown significantly over time.**
- **The firm declared total sales of thirty crore(about USD 4 billion) in its most recent financial report. This data shows the potential of the company to grow its revenue.**
- **The company has a robust research and development (R&D) division that focuses on developing innovative and cost-effective drugs.**
- **Actively pursued strategic acquisitions and collaborations to expand its product portfolio and market presence.**
- **Actively involved in the production of generic drugs, which are more affordable alternatives to brand-name medications.**
- **The company's success has inspired other Indian pharmaceutical companies to invest in R&D and expand their global presence.**

INDUSTRY ANALYSIS

1. MARKET DYNAMICS
2. COMPETITION
3. IPR
4. REGULATORY ENVIRONMENT
5. INDUSTRY TRENDS
6. DIGITALIZATION AND DATA ANALYTICS
7. SUSTAINABILITY AND ENVIRONMENT RESPONSIBILITY.

COMPANY ANALYSIS

1. Sun Pharmaceuticals was founded in 1983 by Mr. Dilip Shanghvi and started as a manufacturer of psychiatric drugs.
2. Over the years, it has expanded its product portfolio and now operates in multiple therapeutic areas such as cardiology, neurology, dermatology, and gastroenterology
3. In its most recent financial report, the company recorded a total revenue of INR 30,000 crore (approximately USD 4 billion).
4. Competitive Advantage-

- Extensive Product Portfolio
- Global Presence
- Research and Development (R&D) Capabilities
- Manufacturing Infrastructure

5. Strategic Initiative's-

- Acquisitions and Collaborations
- Geographic Expansion
- Focus on Specialty Drugs

FINANCIAL ANALYSIS

VARIABLES	CATEGORY	FORMULA	DESCRIPTION
CURRENT RATIO	Liquidity factor	Current Assets divided by Current Liability	It tells about the company's capacity to pay off the short-term debt by using the current assets
QUICK RATIO	Liquidity factor	Liquid Assets divided by Current Liability	It tells about the company's capacity to use the cash and cash equivalent
GROSS PROFIT RATIO	Profitability factor	Gross Profit divided by Net Sales	It shows how much profit of a company makes after paying its Cost of goods sold (COGS).
NET PROFIT RATIO	Profitability factor	Net Profit divided by Net sales	It measures the profitability with respect to the sales.
RETURN ON ASSESTS	Profitability factor	Net income divided by total assets.	It shows how effective the company is in converting the money into profit.
RETURN ON EQUITY	Profitability factor	Net income divided by shareholder's equity.	How efficiently a company is using its equity to generate profit.
EPS	Earning Factor	It is calculated by dividing the net income by the number of outstanding shares.	It provides a measure of a company's profitability on a per-share basis
P E RATIO	Earning Factor	It is calculated by dividing the market price per share by the earnings per share.	It helps investors assess whether a stock is overvalued or undervalued relative to its earnings potential.
ROCE	Earning Factor	It is calculated by dividing the operating profit (or earnings before interest and taxes, EBIT) by the capital employed (total assets minus current liabilities).	It helps investors and analysts assess how effectively a company is utilizing its capital to generate profits.

TECHNICAL ANALYSIS

- **RELATIVE STRENGTH INDEX**
- **MOVING AVERAGE**
- **THE RATE-OF-CHANGE (ROC)**
- **BOLLINGER BANDS**

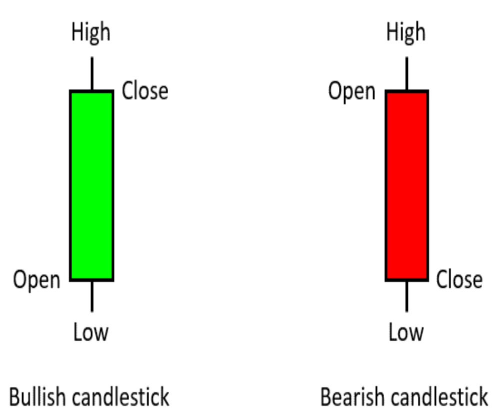
- **Three different trends exist in technical analysis: consolidation, bearish, and bullish with famous Japanese candlestick pattern.**

- **Positive and rising is bullish. Green is typically used to indicate it.**

- **This trend has lower lows and higher highs.**

- **The declining trend is bearish. Red is typically used to indicate it.**

- **The tendency of consolidation is sideways.**



TECHNICAL CHARTING OF SUN PHARMACEUTICALS.

DATA AND FINDINGS

FINANCIAL ANALYSIS

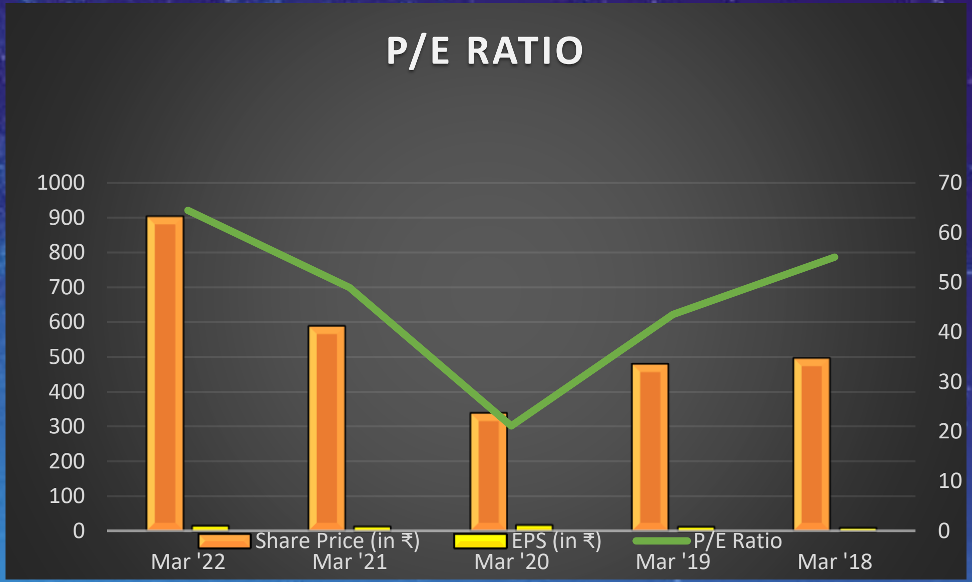
LIQUIDITY RATIO					
RATIOS	Mar 22	Mar-21	Mar-20	Mar-19	Mar-18
Current Ratio	2.04	1.89	2.02	1.79	1.59
Quick Ratio	1.512636	1.328227	1.513977	1.337008	1.246215

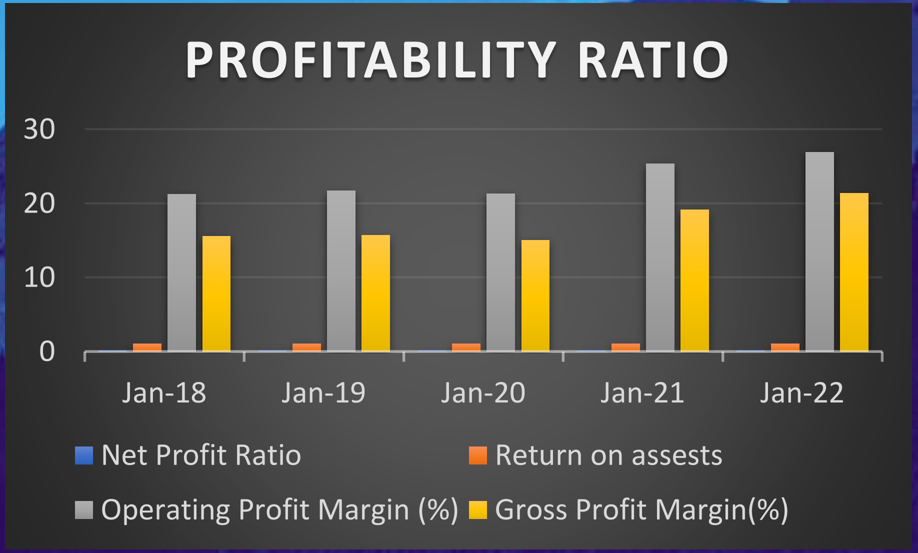
P/B Ratio					
	Mar '22	Mar '21	Mar '20	Mar '19	Mar '18
Book Value [InclR	212.84	206.23	204.75	186.4	174.99
Share Price (in ₹)	902.35	587.2	338.25	478.85	495.4
PB ratio	4.23957	2.847306	1.652015	2.568938	2.831019

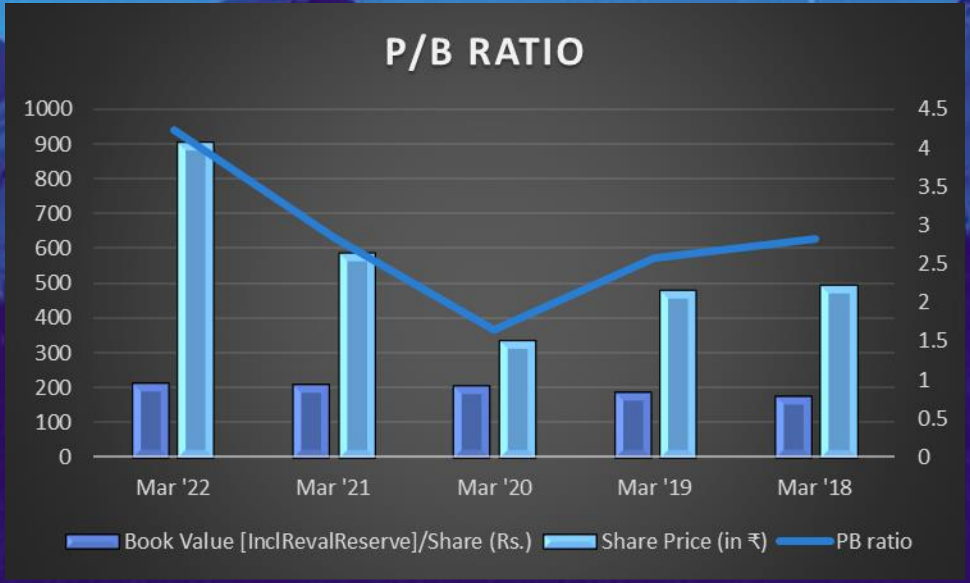
PROFITABILITY RATIO					
	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18
Net Profit Ratio	0.0861	0.0665	0.125078	0.106652	0.096638
Return on assests	1.0299	1.036	1.035524	1.048982	1.045591
Operating Profit Margin (%)	26.89	25.34	21.28	21.7	21.2
Gross Profit Margin(%)	21.35	19.13	15.03	15.66	15.55

P/E Ratio					
	Mar '22	Mar '21	Mar '20	Mar '19	Mar '18
Share Price (in ₹)	902.35	587.2	338.25	478.85	495.4
EPS (in ₹)	14	12	16	11	9
P/E Ratio	64.45357	48.93333	21.14063	43.53182	55.04444


LIQUIDITY RATIOS
2.50
2.00
1.50
1.00
0.50
0.00
Mar 22
Mar-21
Mar-20
Mar-19
Mar-18
Current Ratio
Quick Ratio


P/E RATIO
1000
900
800
700
600
500
400
300
200
100
0
70
60
50
40
30
20
10
0
Share Price (in ₹)
EPS (in ₹)
P/E Ratio
Mar '22
Mar '21
Mar '20
Mar '19
Mar '18


PROFITABILITY RATIO
30
20
10
0
Jan-18
Jan-19
Jan-20
Jan-21
Jan-22
Net Profit Ratio
Return on assests
Operating Profit Margin (%)
Gross Profit Margin(%)


P/B RATIO
1000
900
800
700
600
500
400
300
200
100
0
4.5
4
3.5
3
2.5
2
1.5
1
0.5
0
Mar '22
Mar '21
Mar '20
Mar '19
Mar '18
Book Value [InclRevalReserve]/Share (Rs.)
Share Price (in ₹)
PB ratio

DATA AND FINDINGS

TECHNICAL ANALYSIS

ANALYSIS USING JAPANESE CANDLESTICKS METHOD

GRAPH SHOWING EMA

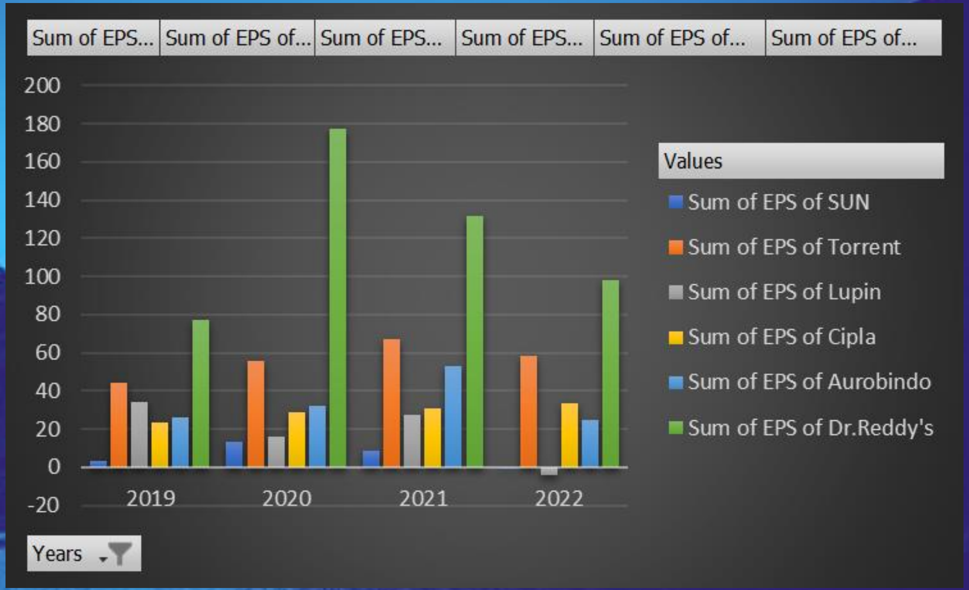
GRAPH SHOWING MACD.

GRAPH 10- GRAPH SHOWING VOLUME CHART

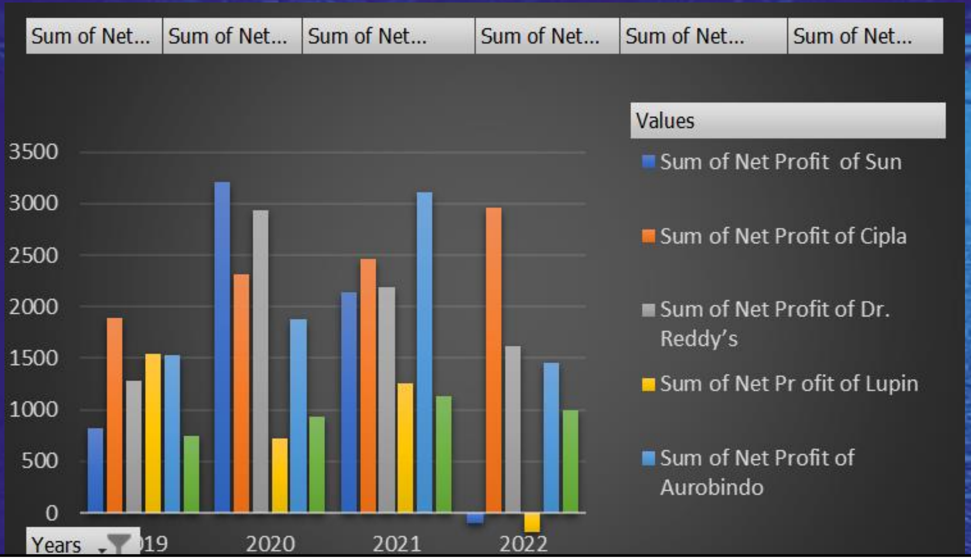
GRAPH SHOWING BOLLINGER'S BANDS

COMPETITIVE ANALYSIS OF PHARMACEUTICAL COMPANIES WITH RESPECT TO SUN PHARMACEUTICALS

Years	Net Profit of Sun	EPS of SUN	Net Profit of Cipla	EPS of Cipla	Net Profit of Dr.	EPS of Dr.Reddy's	Net Pr ofit of Lupin	EPS of Lupin	Net Profit of Aurobindo	EPS of Aurobindo	Net Prof it of Torrent	EPS of Torrent
2022	-99.99	-0.4	2,957.93	33.34	1,623.20	97.85	-188.7	-4.16	1,454.71	24.83	991	58.59
2021	2,139.70	8.92	2,468.28	30.61	2,186.40	131.84	1,258.62	27.77	3,112.91	53.13	1,138.00	67.24
2020	3,211.14	13.38	2,318.17	28.76	2,937.70	177.23	727.55	16.07	1,872.74	31.96	939	55.46
2019	816.6	3.4	1,888.41	23.45	1,277.30	76.98	1,538.83	34.03	1,529.73	26.11	745	44.05



COMPARISON OF SUM OF EPS OF PHARMA COMPANIES FROM 2019-2022



COMPARISON OF SUM OF NET PROFIT OF PHARMA COMPANIES FROM 2019-2022

INTERPRETATION

- Current ratio in all the particular years are above 1.5, that means company is performing well.
- Quick ratios are in the range of 1.2 -1.5, i.e. the company has 1.2-1.5 rupees of liquid assets to cover 1 current liability.
- Return on assets has shown almost similar performance of an average of 1.05 from 2018-2022.
- Net Profit Ratio has firstly shown an increase from the yaer2018 to 2020, but there is a slight decrease in the year 2021, which is of 0.06; but managed to rise again in 2022 with a ratio of 0.08.
- Operating profit margin talks about how much profit does a company makes after deducting the cost of goods sold. Here, in case of sun pharmaceuticals, it is showing gradual decrease throughout the years which is a positive sign for investment.
- A steady increase in EPS shows that a company is profitable. And our Share price increases which results in increase in P/E ratio. This is the most important factor because it evaluates the metrics of stocks and tell us whether the stock is undervalued or overvalued.
- PE ratios lower than 20 attract good investment options.
- If we compare Sun pharma's PE ratio over five years, there is an increase in the price, which makes it expensive, though it is showing positive growth , but due to expensive stocks, it is not ideal for buying. As PE Ratio of Sun Pharmaceutical is not lower than 20.
- Any value under 1.0 is considered desirable for value investors, indicating an undervalued stock may have been identified. However, some value investors may often consider stocks with a less stringent P/B value of less than 3.0 as their benchmark.
- If we see the average of P/B ratio of Sun Pharmaceuticals, i.e. 2.2; then it is good as an investing option, but if we see only the latest year then it is not ideal for investing as it is overvalued.

INTERPRETATION

- 29th November to 2nd December since the RSI was close to 30 & the best time to sell the stock was between 30th July to 8th of August since the RSI was above75 during that time.
- **As far as Sun Pharma is concerned, a bullish market trend is taking place here. It is a suitable time for partial selling the Scrip.**
- In view of Bollinger bands, the chart shows that the closing price is closer to the lower band. The closer the prices move to the lower band, the more oversold the market. This is showing a downtrend.
- **In view of competitive analysis of five pharma companies with that of Sun Pharmaceuticals, the net profit is highest in the year 2022 and showing a massive decrease in the profit in the recent years of 2022, making it not ideal for investments in comparison to its competitors.**
- The same goes for the EPS parameter.

LIMITATIONS

- For the competitive analysis, most of the companies have not updated their annual records for the year 2023, thus, making it difficult to keep track of updated information and recent upliftment's.
- Relying on various secondary data sources , reduces the clarity of the concept as different data sources have different variable for the same concepts and topics.
- MARKET VOLATILITY
- GENERALIZATION
- ASSUMPTION BASED CONCEPT

CONCLUSION

As we all know India is one of the fastest growing economies in the world. For the past few years the Indian Pharmaceutical Industry is performing very well. The varied functions such as contract research and manufacturing, clinical research, research and development pertaining to vaccines are the strengths of the Pharma Industry in India. Multinational pharmaceutical corporations outsource these activities and help the growth of the sector. The Indian Pharmaceutical Industry has a bright future. Fundamental Analysis insists that no one should purchase or sell a share on the basis of tips and rumours. The fundamental approach calls upon the investor to make his buy or sell decision on the basis of a detailed analysis of the information about the company, the industry to which the company belongs and the economy. Overall, the pharmaceuticals companies have a good and satisfactory liquidity and leverage position but they need to work on their Profitability and efficiency position.