

SUN PHARMACEUTICAL INDUSTRIES LIMITED



Company Background

Sun Pharmaceutical Industries Ltd (Sun Pharma) was established in 1983 and began with a portfolio of five products. The company initially began with sales in the Indian states of West Bengal and Bihar. In the subsequent four years, it extended its reach throughout India. Sun Pharma has its corporate headquarters in Mumbai. In 1994, it launched its IPO, which got oversubscribed by 55 times.

In 1993, the company established its first research and development facility in Baroda. In 2004, the facility was relocated to a bigger facility with advanced facilities in the same city. The company developed its second research and development unit in Mumbai to cater to the overseas markets.

Currently, the company manufactures specialty pharmaceuticals and active pharmaceutical ingredients (API) used in therapies such as cardiology, psychiatry, neurology, gastroenterology, diabetology and respiratory.



In the financial year ending March 31, 2006, Sun Pharma reported total income of US\$ 409 million, registering a 46.7 per cent growth over the previous year. The company had more than 5000 employees as on 31 March, 2006. Sun Pharma is the most profitable among all pharma companies in India, with a market capitalisation in excess of \$4billion.

Global Footprint of Sun Pharmaceutical Industries Limited

Sun Pharma's manufacturing facilities are located in India, Bangladesh, Hungary and the USA. The company has 16 manufacturing sites, which primarily deal in either dosage forms or active pharmaceutical ingredients. The dosage forms include oral, injectable and delivery-based systems, while the APIs include peptides, steroids, hormones and anticancers.

Sun Pharmaceutical Industries Limited in the United States of America

Mode of Operation

Sun Pharma operates through two subsidiaries, one of which is a wholly-owned subsidiary. Currently, it operates through three manufacturing units in the USA.

Overview

Sun Pharma entered the US market in 1997, by acquiring a stake in Caraco Pharm Labs based in Detroit, Michigan. This marked the first international acquisition of the company. It invested



an initial US\$ 7.5 million in the company, and in the subsequent years, increased its stake to 75 per cent through an equity-linked technology transfer. For every technology that was developed at Sun Pharma and transferred to Caraco, 544,000 shares were issued. These products helped Caraco build a growing revenue stream. Caraco's sales, which were less than US\$1 million in 1997, surged to US\$ 84 million for the nine months to December 2006. The US business accounts for 21 per cent of the consolidated Sun Pharma turnover.

In 2005, it acquired two manufacturing facilities in Bryan, Ohio and Cranbury, New Jersey. First, it acquired a manufacturing facility from Valeant Pharmaceuticals International, located in Bryan, Ohio. Later that year, it acquired the intellectual property and assets of Able Labs based in Cranbury, New Jersey. These acquisitions assisted the company in catering to the increasing pharmaceutical demand in the market.

Success Factors

Strategic Acquisition

Sun Pharma has made three acquisitions in the USA. Typically, it first identifies businesses where value can be added with expertise within the company. In 2005, the company acquired a

manufacturing facility in Hungary from Valeant Pharmaceuticals. This acquisition made Sun Pharma one of the few companies in the world to have the approval to manufacture controlled substances right from the API stage.

Research and Development

Sun Pharma has been a consistent investor in research and development initiatives. It contributes nearly 10-12 per cent of its annual turnover in research; 4 per cent is invested in innovation. It has been one of the first pharmaceutical companies in India to set up a research laboratory. R&D was primarily undertaken to develop new products and APIs for India, the USA markets, and subsequently new molecules and delivery systems. The outcome of the thrust on R&D has resulted in an increased turnover from US\$ 7.25 million in 1993 to over US\$ 409 million in 2006.

Future Plans

With cash over US\$ 500 million, Sun Pharma plans to undertake another acquisition in the USA in the generic domain. The company plans to focus on the generic market, as this segment is valued at over US\$ 28 billion in the USA. The company also intends to enter the controlled substance space across various dosage forms.