

Sun Pharmaceutical Industries Ltd.

CMP: 590

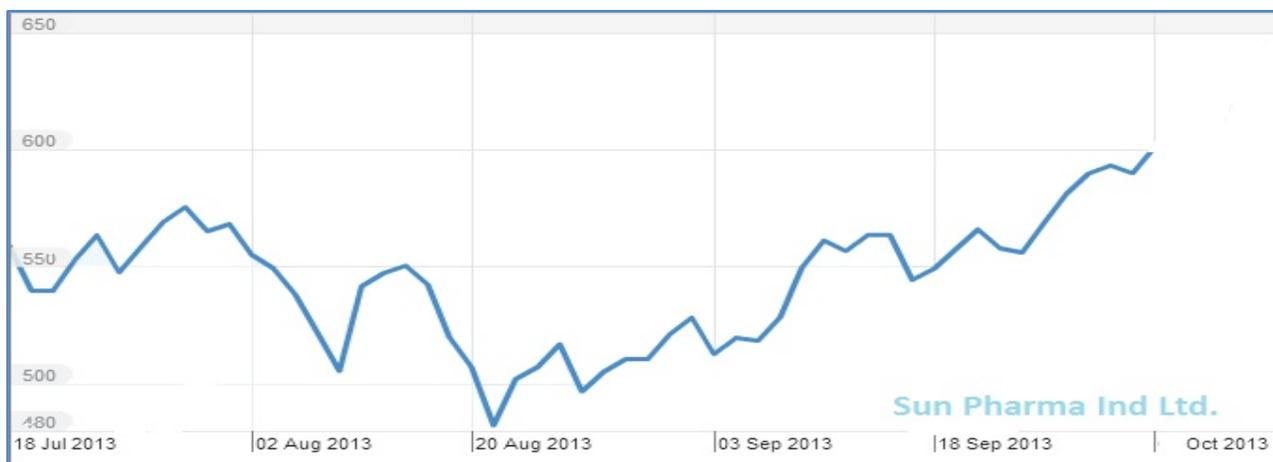
01/10/2013

COMPANY PROFILE

SECTOR: PHARMACEUTICALS

Sun Pharmaceutical Industries Limited is an international specialty pharma company. The Company manufactures and markets pharmaceutical formulations as branded generics, as well as generics in India, the United states and several other markets across the world. The Company's business is divided into four segments: US Generics, Indian Branded Generics, International Branded Generics (Rest of the world, except the US and India) and Active Pharmaceutical Ingredients (API). Its brands are prescribed in chronic therapy areas like cardiology, psychiatry, neurology, gastroenterology, diabetology and respiratory. It makes specialty APIs, including peptides, steroids, hormones and anticancers. The Company manufactures 170 APIs. It's API products include Acamprosate Calcium, Alendronate Sodium, Amifostinetrihydrate, Budenonide and Carvedilol.

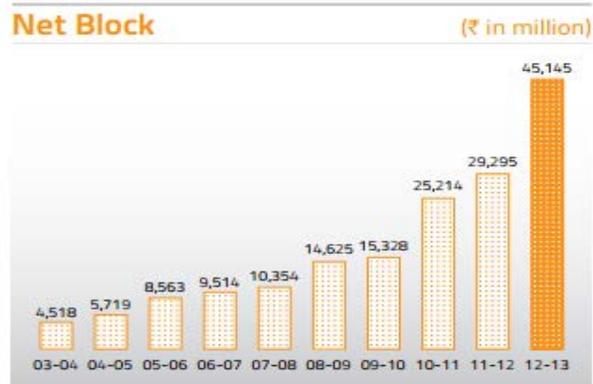
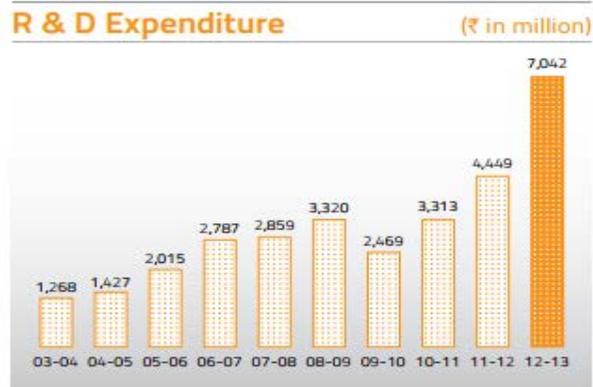
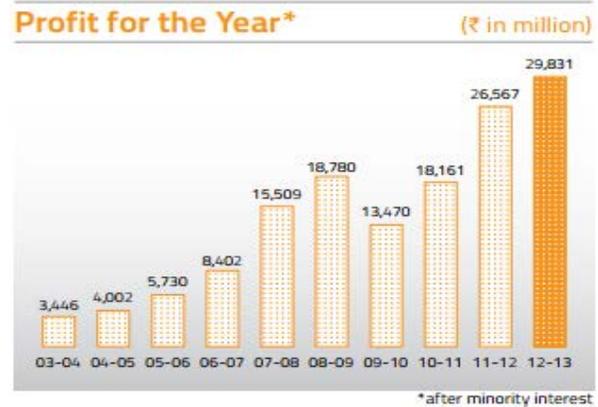
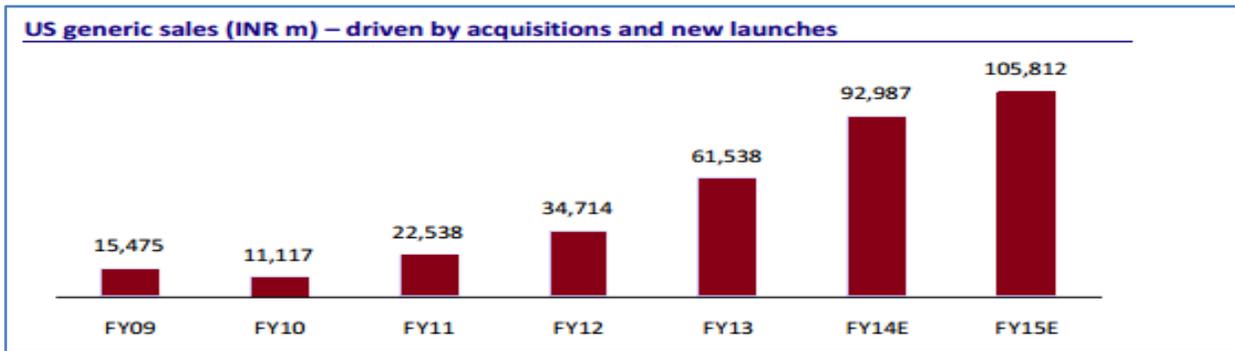
PRICE PERFORMANCE



(Stock Price performance for 3 Months)

Source: Bloomberg, in.reuters and Moneycontrol

FINANCIALS



* During the financial year 2002-03, each Equity share of ₹ 10/- was split into two equity shares of ₹ 5/- each.

* During the financial year 2010-11, each Equity share of ₹ 5/- was split into five equity shares of ₹ 1/- each.

Current P/E Ratio (ttm)	40.87
Estimated P/E(03/2014)	28.289
Relative P/E vs. <u>SENSEX</u>	2.3767
Earnings Per Share (INR) (ttm)	14.4343
Est. EPS (INR) (03/2014)	21.07
Est. PEG Ratio	.6153
Market Cap (M INR)	1221949
Shares Outstanding (M)	2,071.10
30 Day Average Volume	2,364,471
Price/Book (mrq)	8.152
Price/Sale (ttm)	10.815
Dividend Indicated Gross Yield	0.45%
Cash Dividend (INR)	2.5000
Last Dividend	19/09/2013
5 Year Dividend Growth	18.95%

FORECAST

- Sun Pharma gets US FDA nod for Prevacid generic drug which have annual sales of USD 430 million.
- Estimation of 23% CAGR in core EPS over FY13-15.
- Launched 25 products in FY13 including several technology-based products.
- Enjoys strong positioning in chronic segments like CNS, CVS and diabetology, together accounting for more than 50% of Sun Pharma's India formulation revenues.
- Acquisition of DUSA pharmaceuticals and URL pharma which totals their capital expenditure to INR8.5bn.
- New subsidiary Sun Pharma Laboratories which reported sales of INR 27.2B will help to reduce overall effective tax rate.
- Taro's performance has been quite strong in FY13. Taro's top line grew by 24% to US\$ 671 million, while the net profit surged by 30% to US\$ 266 million.

Sun Pharma will continue to growth from the major earnings from US, India and Rest of the world. Strong earnings along with some acquisitions and consistent track record make it a lucrative investment opportunity.

VALUATIONS

At the CMP of INR590 and market capitalization of 122194.9 crores, the stock is trading at the P/E of 25.89 of its FY14E earnings. We recommend **BUY** rating on the stock based on discounted free cash flow approach with a target price of INR 775-800/- in 6-8 months.

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