

**ANALYST
CORNER**

Overweight on Sun Pharma despite alert

HSBC Global Research

WITH A lot of negative news flow surrounding Sun Pharma, including the import alert, metformin recall and lower doxycycline guidance from Hikma, the stock has been under pressure.

We believe these events should not have a material impact as in the case of doxycycline, pricing is already expected to soften since it came off the drug shortage list in October 2013 and the metformin recall has a negligible impact on Sun's financials. Our estimates for URL generics assume only a marginal increase in FY15e, driven by many other launches from an old, discontinued portfolio of products. From Sun's own product basket, new launches of testosterone and temozolomide have been very healthy.

We reiterate our overweight rating in view of the extended gDoxil benefit in the US, the strong and differentiated ANDA pipeline, the resilient Taro performance and stable India formulations. We believe recent weakness in the stock price presents a good buying opportunity.

Our target price of ₹720 is based on 22x (unchanged, in line with the current valuation) December 2015e EPS of ₹32.4 and we add gGleevec's NPV value of ₹8.

Import alert for Karkhadi facility: It has received a US FDA import alert ban on all products manufactured from the Karkhadi unit in Gujarat. This facility manufactures API and is a dedicated sterile unit. This is the first import alert on Sun Pharma's Indian facilities.

Company