

**ANALYST  
CORNER**

## Maintain 'hold' on Sun Pharma, target ₹645

**Edelweiss**

WE maintain our 'hold' rating on Sun Pharmaceuticals and target price of ₹645. However, we continue to perceive risk of competition and price decline in key products (Doxil, Doxycycline, Taro portfolio) going forward, which will be an overhang. While we reduce Sun Pharma's FY15e earnings by 5%, factoring in lower Doxil sales, we retain FY16e earnings (already factored in competition for Doxil). Hence, our target price is based on 22.5x FY16e EPS.

Cancer drug Doxil innovator Johnson & Johnson (J&J) has yet again resumed supplies in the US by using an alternate manufacturing process from Ben Venue and another supplier.

The company, in a press release, stated the release of the first lot of the product. J&J had anticipated disruption of supplies in October 2013 and had highlighted, in a January 2014 update, its plan to use alternate manufacturing sites.

While the manufacturing process has not been approved by FDA, J&J has used FDA regulatory discretion to resume supplies. We believe the earlier-than-expected launch by J&J is a negative for Sun Pharma as the Street had anticipated the latter's sole supplier status for a longer period.

The resumption of Doxil is a negative for Sun Pharma, which had been benefiting as the sole supplier of the generic since October 2013. We had earlier estimated an elongated period of supply disruption (till end FY15) and factored in \$160 million and \$200 million sales from the product in FY14e and FY15e, respectively.

Company -