

Novartis deal: Revenue boost for Sun

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The Sun Pharma-Novartis settlement on cancer drug Gleevec and its expected upside from the same helped the Indian company gain nearly two per cent to ₹621.80 in trade as compared to the flatter broader markets on Thursday. The settlement means that Sun Pharma can launch the \$2-billion drug in the March quarter of 2016. Further, as the drug will have an exclusivity period of six months, will ensure higher revenue of \$160 million (around ₹1,000 crore) and profit of \$95 million (around ₹570 crore).

Hitesh Mahida of Antique Stock Broking believes it will be a three-player market translating to limited competition and thus higher profits.

Angel Broking's Sarabjit Kour Nangra pegs gains from the drug at a higher band, with revenues at \$250 million and profit at \$75 million. She says the deal has put some clarity on the product launch and would fully reflect in the FY17 financials.

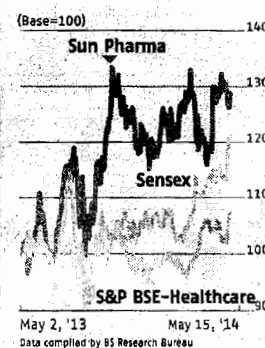
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Not all analysts are as bullish about the cancer market and feel revenue growth will be more muted. Karvy Institutional Research's analyst Rahul Sharma says the scale-up of this oncology product could be slower. The broking firm has a 'buy' rating on the company and has tweaked FY16 earnings estimates downwards by 2.9 per cent to ₹29.5. Sharma has a target price of ₹684, valuing the company at 23.2 times its FY16 earnings.

While Gleevec is a big

BETTER PROSPECTS



opportunity, Sun has a strong pipeline of 184 Abbreviated New Drug applications, likely to fuel growth in the coming years.

Analysts at Ambit Capital estimate a 19 per cent growth over FY14E-18E (including Ranbaxy). Rest of the World market revenues, according to them are likely to grow 53 per cent, including Ranbaxy, led by synergies between Ranbaxy's platform and Sun's product portfolio. They add that continued earnings momentum (22 per cent

FY14-16E compounded annual growth rate) and high return on capital employed would support rich valuations.

However in the near term, the Street will take cues from the company's March quarter performance. Analysts expect the company's base to sustain previous quarter levels or improve marginally.

The strong momentum in cancer treatment drug Doxil is likely to continue, while growth will be fuelled by full quarter benefits from launches of anti-depressant drug Cymbalta and cancer treatment drug Temodar, among others.

Nevertheless, following lower Doxy sales forecast by competitor Hikma and re-launch of Doxil by Johnson & Johnson, analysts at SBI capital feel Sun's FY15 forecast will be a key thing to watch. They expect Sun to guide for sales growth of 14-16 per cent.

Given the Bloomberg consensus target price of ₹691, there is an upside of 11 per cent from current levels.

Company