



# Sun Pharma

## Q3FY11: FIRST CUT

- Sun Pharma's Q3FY11 result was below our expectations mainly due to lower EBITDA and higher tax rate.
- However, Q3FY11 result is not comparable to Q3FY10 due to consolidation of Taro. On a like-to-like basis, Sun's sales (at Rs 11.3 bn) grew 12%, while EBITDA (at Rs 3.3 bn) and Adj. PAT (at Rs 3.3 bn) fell 11% and 2% respectively. Q3FY10 also included generic Protonix (high margin product), which was nil in Q3FY11.
- Q3FY11 sales at Rs 16.0 bn was in-line with our estimates, but EBITDA at Rs 4.4 bn (higher staff cost), and PAT at Rs 3.5 bn (higher tax rate due to Taro, extraordinary tax component – 76%), were below estimates.
- Taro recorded USD 4.4 mn of impairment of assets during Sep-Dec'10.
- The stock currently trades at 19x FY12E EPS. Our target price of Rs 458 implies a 4% upside from CMP.
- We will release a detailed note and review our estimates post the earnings conference call. (1st Feb 2011, 10:00 am IST, Dial in: +91 22 3065 0088).

### Reported nos. vs. expectations

(Rs mn)	Reported	Forecast	Variance (%)	Comment
Sales	16,011	15,600	2.1	-
EBITDA	4,405	4,783	(8.6)	Higher staff cost
PAT	3,501	4,270	(21.9)	Higher tax rate due to Taro, extraordinary tax component – 76%

Source: Company, ENAM Research

### Results update

(Rs mn)	Quarter ended				
	Dec-10	Dec-09	% Chg	Sep-10	% Chg
Net Sales	16,011	10,106	58.4	13,701	16.9
EBITDA	4,405	3,684	19.6	4,670	(5.7)
Other income	580	325	78.8	924	(37.2)
PBIDT	4,985	4,009	24.4	5,594	(10.9)
Depreciation	805	359	124.2	352	128.7
PBT	4,181	3,650	14.5	5,242	(20.3)
Tax	545	261	109.1	172	216.6
Minority interest	134	(0)	-	34	298.8
Adjusted PAT	3,501	3,390	3.3	5,037	(30.5)
No. of shares (mn) - diluted	207	207	-	207	-
EBITDA margins (%)	27.5	36.5	-	34.1	-
PBIDT margins (%)	31.1	39.7	-	40.8	-
EPS - annualized (Rs.)	67.6	65.4	3.3	97.3	(30.5)

Source: Company, ENAM Research

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