

Sun Pharmaceutical

Caraco reports inline revenues for 4Q07 - ALERT

- Sun's 66% owned US subsidiary, Caraco reported 4Q07 sales of \$32.7m vs \$31.3m in 3Q07. This is marginally higher than our estimate of \$30m.
- Gross profit of \$15.5m (47%) is in line with 3Q07 trend (48% margins). SG&A expense is in control. R&D expense for 4Q07 does not have any non cash charge and is marginally higher due to development charge for third-party ANDAs.
- Citalopram, generic Ultracet, carbamazepine, clonazepam and metoprolol tartrate are the main revenue drivers. The company has 29 ANDAs pending approval for 21 products and expects to grow 30% in FY08. This is lower than our assumption of 60% growth in FY08.
- Sun Pharma ANDAs, distributed by Caraco have generated \$4.6m sales and carry 30% gross margins. Caraco's net operating loss carryforward is \$18.1m.

Overweight

Rs989.15

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Pharmaceuticals

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Table 1: Caraco Quarterly results

\$'000	Jan-Mar 1Q06	Jan-Mar 1Q07	Apr-June 2Q06	July-Sept 3Q06	Oct-Dec 4Q06	FY07
Net Sales	24701	32738	24751	28280	31257	117026
COGS	12010	17327	11743	14045	16126	59241
Gross Profit	12691	15411	13008	14235	15131	57785
Gross Margins	51%	47%	53%	50%	48%	49%
SG&A	2481	2774	2116	2386	2603	9879
R&D	16932	3812	6076	9728	2734	22350
Interest	-185	-678	-170	-191	-266	-1305
Net profit	-6537	9503	4986	2312	10060	26861
Actual profit	7471	9503	9365	9694	10060	38622

Source: Company

Table 2: Sales breakup

\$ mn	FY06A	FY07A	% YoY gr.
Anti depressant	8.0	14.1	75%
Antianxiety Drug	2.9	4.0	39%
Antibiotic	0.7	0.5	-23%
Anticonvulsant	0.2	4.3	1749%
Antidiabetic	32.1	30.1	-6%
Antihypertensive/Beta blocker	16.8	19.8	18%
Antipsychotic	2.2	3.5	63%
Cardiac	1.2	2.5	99%
NSAID	2.1	2.9	37%
Opiate Agonist/Analgesic	14.1	31.5	124%
Platelet Aggregate Inhibitor	0.1	0.2	35%
Skeletal Muscle Relaxant	1.2	2.9	152%
Decongestants	0.1	0.1	-48%
Vascular & Migraine Headache suppressants	1.1	1.0	-6%
Total	82.8	117.2	42%

Source: Company

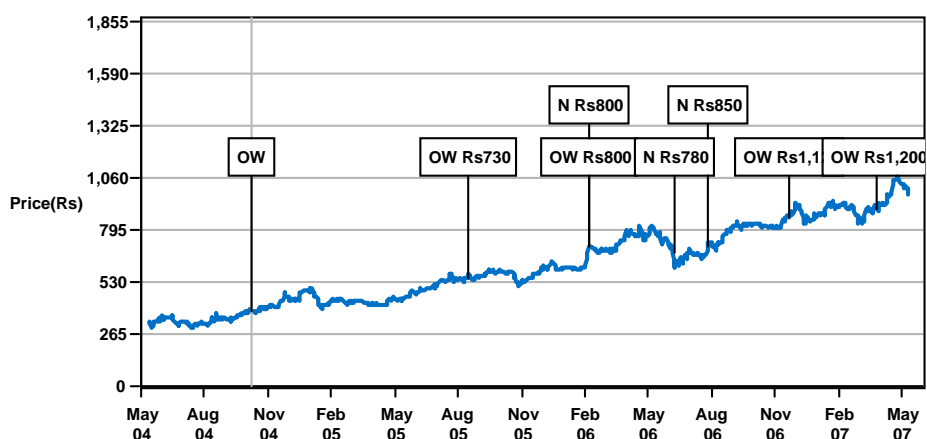
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Sun Pharmaceutical (SUN.BO) Price Chart



Date	Rating	Share Price (Rs)	Price Target (Rs)
07-Oct-04	OW	383.85	-
16-Aug-05	OW	546.72	730.00
05-Feb-06	OW	714.47	800.00
06-Feb-06	N	714.47	800.00
07-Jun-06	N	678.37	780.00
27-Jul-06	N	708.56	850.00
21-Nov-06	OW	857.57	1120.00
25-Mar-07	OW	903.79	1200.00

Source: Reuters and JPMorgan; price data adjusted for stock splits and dividends.
 Break in coverage Mar 04, 2004 - Oct 07, 2004. This chart shows JPMorgan’s continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
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