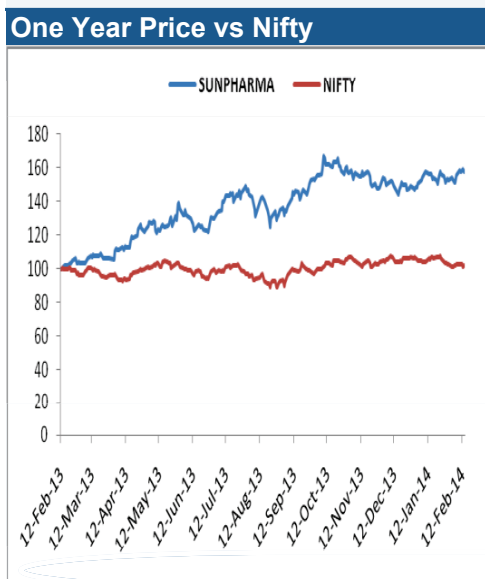


Result Update	NEUTRAL
CMP	609
Target Price	650
Previous Target Price	
Upside	7%
Change from Previous	

Market Data	
BSE Code	524715
NSE Symbol	SUNPHARMA
52wk Range H/L	650/385
Mkt Capital (Rs, Cr)	126,119
Average Daily Volume	535293
Nifty	6048

Stock Performance-%			
	1M	1yr	YTD
Absolute	1.1	57.1	82.9
Rel. to Nifty	4.7	55.2	70

Share Holding Pattern-%			
	Current	2QFY14	1QFY1
Promoters	63.7	63.7	63.7
FII	22.5	22.8	22.9
DII	5.7	3.2	3.1
Others	8.1	10.4	10.4



Sun Pharmaceuticals Industries limited posted 3QFY14 results above street expectations with total revenues including other operating income at Rs 4312 Cr up 50.5 % YoY led by robust growth in US formulations and Taro business. The stellar performance of company was supported well from domestic operations as well. The US formulation business grew by more 56 % YoY to USD 434 Mn while International formulation sales outside US grew by 16 % YoY to USD 84 Mn. Overall international revenues accounted for more than 75% of total revenues for the quarter. The Sales of branded prescription formulations in India was Rs. 947 Cr up by 20% Yoy from Q3FY13 last year. The API business for the quarter witness some decline with sales falls to Rs 174 Cr translating decline of 17 % YoY.

The operating EBITDA for the quarter came at Rs 1975 Cr grew by 57 % YoY and OPM stands at 46 %. There is improvement in OPM by 200 bps during the quarter owing to stronger operating metrics. The RM cost as percentage of sales was 14 % versus 15 % for the same corresponding period last fiscal. The employ cost as percentage of sales was 12 % in current quarter verses 14% for 3QFY13. The company managed to control its other expenses during the 3QFY14 and has dropped by 100 bps at 24 % of the sales.

The net profit for the quarter came at Rs 1531 Cr compared to Rs. 881Cr for Q3 last year, up 74% YoY. The NPM for the 3QFY14 came at 36%. The other income for the 3QFY4 was Rs 134 Cr and Tax rate was at 12 %.

The company on its R&D said that in the 3QFY14, ANDA for 5 products were filed. After counting these, and adjusting for filings that were dropped, cumulatively ANDAs for 468 products have been filed with the USFDA (as on December 31, 2013). ANDAs for 4 products received approvals in the third quarter, taking the total number of approvals to 337 (as on December 31, 2013). ANDAs for 131 products now await USFDA approval, including 14 tentative approvals.

The management of the company after 3QFY14 results has revised its FY14E revenue guidance to 29 % from 25 % earlier. Guidance is at constant exchange rate. The company further said that capex for the FY14 would be on higher side of earlier guidance. The tax rate for the full year would be 15 % and R&D expected to be in the range of 6-8% of the Sales for the FY'14.

View & Valuation

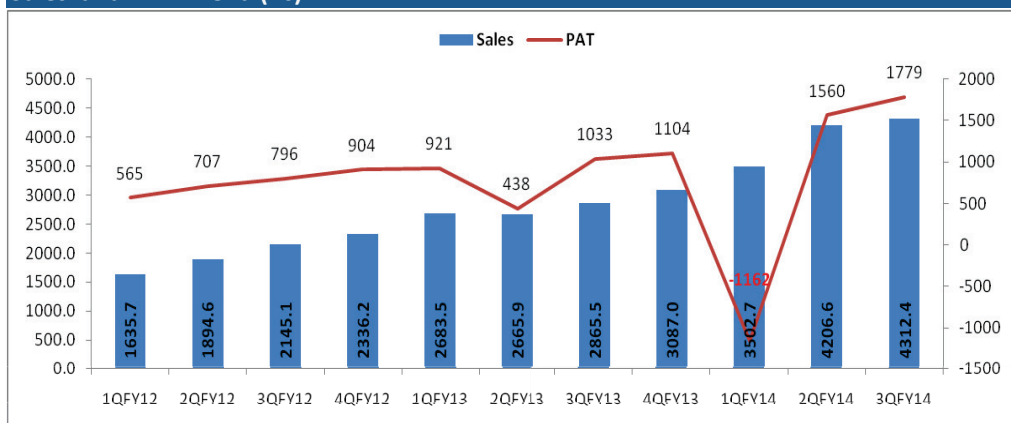
The stock at its CMP of Rs 609 is trading at 22.1x of one year forward FY14E EPS of 27.60 and company has posted very strong 3QFY14 results **however on account stretched valuations we do not see much upside to stock and therefore we turn neutral with TP 650.**

Financials	Rs, Crore				
	3QFY14	2QFY14	(QoQ)-%	3QFY13	(YoY)-%
Revenue	4312	4207	2.5	2865	50.5
EBITDA	2000	1843	8.5	1275	56.9
PAT	1531	1362	12.4	881	73.8
EBITDA Margin	46.4%	43.8%	260bps	44.5%	190bps
PAT Margin	35.5%	32.4%	310bps	30.8%	480bps

(Source: Company/Eastwind)

SUNPHARMA

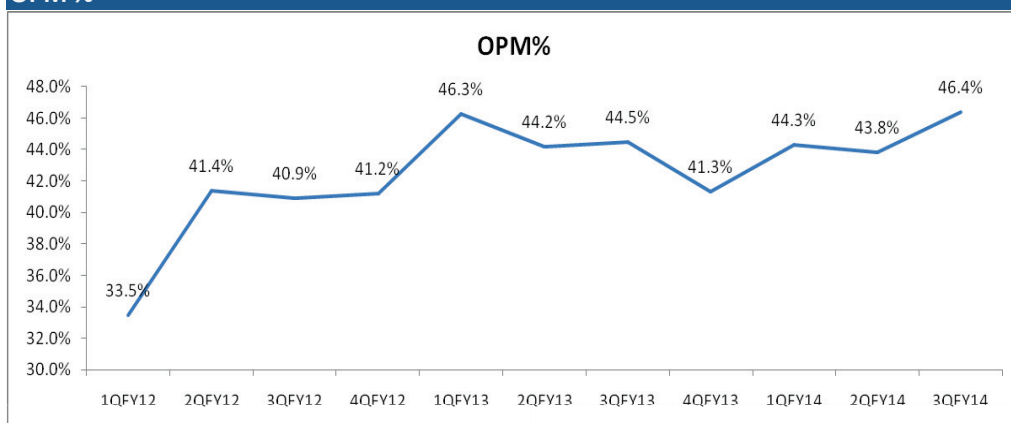
Sales and PAT Trend (Rs)



(Source: Company/Eastwind)

Total revenues including other operating income came at Rs 4312 Cr up 50.5 % YoY led by robust growth in US formulations and Taro business.

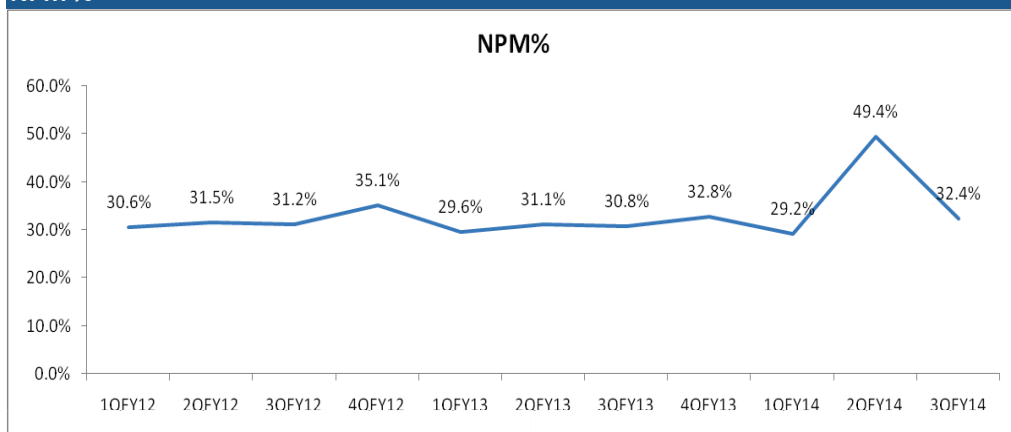
OPM %



(Source: Company/Eastwind)

There is improvement in OPM by 200 bps during the owing to stronger operating metrics.

NPM %



(Source: Company/Eastwind)

The NPM for the 3QFY14 came at 36%.The other income for the 3QFY4 was Rs 134 Cr