



Growth Expected in Second Half!

8th May, 2017

CMP: Rs. 4,180
Target Price: Rs. 4,726
Recommendation: ACCUMULATE

Stock Info

BSE Group	A
BSE Code	500674
NSE Symbol	SANOFI
Bloomberg	SANL IN
Reuters	SANO.BO
BSE Sensex	29,950
NSE Nifty	9,314

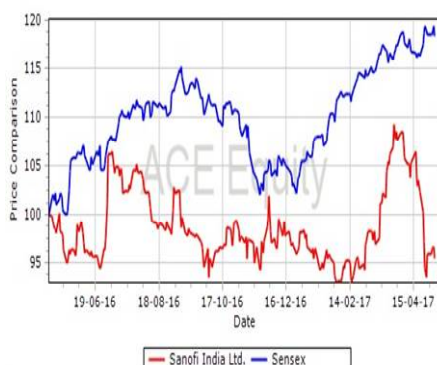
Market Info

Market Capital	9,522 Cr
Equity Capital	23 Cr
Avg. Trading Vol.	11,870
52 Wk High/ Low	4,930/4,005
Face Value	Rs 10

Shareholding Pattern (%) (March 2017)

Promoters	60.4
Domestic Institutions	13.7
Foreign Institutions	14.4
Public & Others	11.5

Price Chart:



Sanofi India Ltd. reported 27.4% fall in Q1 CY 17 net profit

Sanofi India Ltd. has reported fall in set of numbers for the first quarter ended March 31, 2017. The company has posted a fall of 27.4 per cent in its net profit which came in at Rs 60 crore for the quarter ended March 31, 2017 as compared to Rs 83 crore for the same quarter in the previous year. Meanwhile, the total income for the company has decreased by 0.6 per cent to Rs 553 crore for quarter under review as compared to Rs 557 crore for the quarter ended March 31, 2016 and Rs 605 crore sequentially.

Overall expenses surges 6%

Overall expenses stood at Rs 451 crore for the quarter under review, an increase of 5.8% per cent as against Rs 427 crore in the corresponding quarter of the previous year. Operating & manufacturing expenses as a percentage of sales surged from 26.8% YoY. Depreciation and amortization expenses decreased to Rs 25 crore from Rs 27 crore in March quarter of 2016.

Employee benefit expenses increased from Rs 82.80 crore to Rs 88.50 crore YoY. Cost of raw materials decreased to Rs 140 crore from Rs 165 crore YoY. Resulting in fall of EBITDA which came in at Rs. 102 crore vs. Rs 130 crore in the corresponding quarter of previous year. EBITDA margin contracted 5% YoY to 18%.

Other Income

This quarter company reported Rs 16 crore of other income compared to Rs 26 crore for the same quarter in the previous year.

Financial Snapshot:

Particulars	2016	2017E	2018E	2019E
Income from Operations	2369	2622	2884	3221
EBITDA	528	585	624	691
EBITDA%	22.3	22.3	21.7	21.5
Profit After Tax	297	335	365	406
EPS	129	145	159	176
ROE	17.7	18.5	18.6	19.0
P/E (x)	33.3	32.0	29.3	23.7
EV/EBITDA (x)	17.7	17.3	16.0	12.7

Source: - Ace Equity, Arianth Research



Quarterly Results					
Particulars	Q1 CY17	Q1 CY16	YoY %	Q4 CY16	QoQ %
Revenue	553	557	-0.6	605	-8.6
Total Expenditure	451	427	5.8	496	-8.9
EBITDA	102	130	-21.9	109	-7.1
EBITDA Margin	18%	23%		18%	
Other Income	16	26	-37.9	15	4.6
Interest	0.4	0.1		0.4	
Depreciation	25	27		38	
PBT	92	128	-28.6	86	6.8
Tax	32	46		33	
PAT	60	83	-27.4	53	12.8
EPS	26	36		23	

Valuation:

At current price of Rs 4,180 per share the stock is available at P/E & EV/EBITDA of 23.7 (x) & 12.7 (x) respectively, to its FY19 estimates. We have valued the stock at 14.5 (x) EV/EBITDA & arrived at a fair value of 4,726 per share. We have **ACCUMULATE** rating on the stock.

Valuation :

	2016	2017E	2018E	2019E
EV/EBITDA	17.7	17.3	16.0	14.5
EBITDA	528	585	624	691
EV	9356	10089	10014	10023
Cash & Bank	559	619	765	942
Debt	12	12	83	83
Market Cap.	9903	10696	10696	10883
No. of Shares	2.3	2.3	2.3	2.3
Target				4726
CMP				4180
Upside				13.1%



Profit and Loss Account				
Particulars (Rs crore)	2016	2017E	2018E	2019E
Income from Operations	2,369	2,622	2,884	3,221
YoY	8%	11%	10%	12%
Raw Material Cost	618	695	813	904
Employee Cost	359	393	430	480
Other Manufacturing Expense	447	451	498	566
Other Expenses	416	498	519	580
Total Expenditure	1,841	2,037	2,259	2,529
EBITDA	528	585	624	691
<i>EBITDA Margin</i>	<i>22%</i>	<i>22%</i>	<i>22%</i>	<i>21%</i>
Depreciation & Amortization	131	134	139	145
EBIT	397	451	486	546
Other Income	71	66	78	81
Interest	1.5	1.5	1.5	1.5
PBT before Exceptional Items	467	515	562	625
Exceptional items	0	0	0	0
PBT	467	515	562	625
Provision for Tax	169	180	197	219
Profit After Tax	297	335	365	406
YoY	-8%	13%	9%	11%

Cash Flow Statement				
Particulars (Rs crore)	2016	2017E	2018E	2019E
Operating Activities				
PBT before Exceptional Items	467	515	562	625
Add Depr	131	134	139	145
Others	(238)	(252)	(195)	(217)
CFO before Working Capital Changes	360	397	506	553
Changes in Working Capital	(286)	50	48	58
Cash Flow from Operations	74	447	553	611
Investing Activities				
Capex	(47)	(52)	(58)	(64)
Other Investing Activities	149	(139)	(149)	(160)
Cash Flow from Investing	102	(191)	(207)	(224)
Financing Activities				
Dividends + Taxes paid	(188)	(193)	(199)	(207)
Other financing activities	-1.5	-1.5	-1.5	-1.5
Cash Flow from Financing	(189)	(195)	(200)	(209)
Opening Cash	573	559	619	765
Changes during year	(14)	60	146	177
Closing Cash	559	619	765	942

Balance Sheet				
Particulars (Rs crore)	2016	2017E	2018E	2019E
Equity & Liabilities				
(a) Share Capital	23	23	23	23
(b) Reserves & Surplus	1713	1853	2019	2217
Shareholders' Funds	1736	1876	2042	2240
Non-current Liabilities & Prov.	137	130	191	205
Current Liabilities	668	734	813	918
Total Equity and Liabilities	2540	2740	3047	3363
Assets				
Fixed Assets				
Tangible	278	287	297	308
Intangible	390	386	389	384
CWIP	175	191	200	153
Other Non-current Assets	129	132	145	162
Inventory	493	592	652	728
Trade Receivables	145	157	173	193
Cash & Bank	559	619	765	942
Other Current Assets	371	375	427	493
Total Assets	2540	2740	3047	3363

Ratio Analysis				
	2016	2017E	2018E	2019E
Profitability				
EBITDA%	22.3	22.3	21.7	21.5
EBIT%	16.8	17.2	16.8	16.9
PAT%	12.6	12.8	12.7	12.6
Du Pont ROAE breakup				
PAT / Sales	12.6	12.8	12.7	12.6
Sales / Assets	1.0	1.0	1.0	1.0
Assets / Equity	1.5	1.5	1.5	1.5
ROE	17.7	18.5	18.6	19.0
Other Ratios				
Current Ratio	2.3	2.4	2.5	2.6
Debt / Equity	0.0	0.0	0.0	0.0
EPS	129.1	145.3	158.7	176.4
DPS	68.0	70.0	72.0	75.0
Valuation Ratios				
P/E (x)	33.3	32.0	29.3	23.7
EV/EBITDA (x)	17.7	17.3	16.0	12.7
P/BV (x)	5.7	5.7	5.2	4.3

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Stock Rating Scale

	Absolute Return
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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