



Whopping Improvement in EBITDA margin!

2nd May, 2016

CMP: Rs. 4,401
Target Price: Rs. 4,975
Recommendation: **ACCUMULATE**

Stock Info

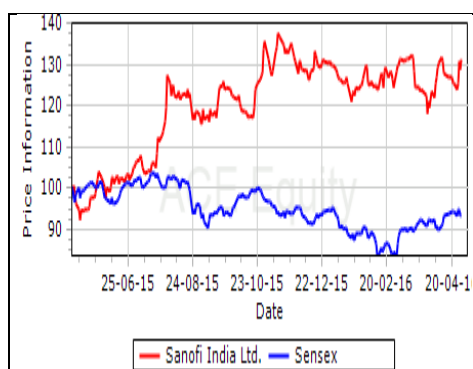
BSE Group	A
BSE Code	500674
NSE Symbol	SANOFI
Bloomberg	SANL IN
Reuters	SANO.BO
BSE Sensex	25,606
NSE Nifty	7,850

Market Info

Market Capital	10,134 Cr
Equity Capital	23 Cr
Avg. Trading Vol.	13,480 Cr
52 Wk High/ Low	4,651/3,090
Face Value	Rs 10

Shareholding Pattern (%)	(Dec 2015)
Promoters	60.4
Domestic Institutions	26.4
Foreign Institutions	2.7
Public & Others	10.5

Price Chart:



Sanofi India reports 66.5% rise in Q1 net profit

Sanofi India has reported better than expected numbers for first quarter ended March 31, 2016. The company has posted a rise of 66.5 per cent in its net profit at Rs 81 crore for the quarter ended March 31, 2016 as compared to Rs 48 crore for the same quarter in the previous year. Net profit including the effect of exceptional items of Rs 16.1 crore reported in corresponding quarter of last year increased by 25%. Meanwhile, total income of the company has increased by 11.4 per cent to Rs 544 crore for quarter under review as compared to Rs 489 crore for the quarter ended March 31, 2015.

Exceptional item

Company had reported an exceptional item net of tax at Rs 16.1 crore in corresponding quarter of previous year, arising from the sale of a floor at commercial premises in Mumbai in January 2015. This quarter however no such exceptional income has been reported.

Overall expenses surges 2.3%

Overall expenses stood at Rs 415 crore for the quarter under review, an increase of 2.3 per cent as against Rs 406 crore in the corresponding period of the previous year. Cost of raw materials as a percentage of sales increased by 140 bps to 30.4% YoY. Moreover, depreciation and amortization expenses also increased Rs 30.1 crore from Rs 25.9 crore in March quarter of 2015.

Employee benefit expenses as a percentage of sales dropped down from 16.1 per cent to 15.4 per cent YoY. Operating & manufacturing expenses as a percentage of sales too plunged from 17.9% to 16.3% YoY resulting in growth of EBITDA which came in at Rs. 129 crore vs. Rs 83 crore in the corresponding quarter of previous year. EBITDA margin grew by 6.8% from 17% to 23.8% YoY.

We have valued the stock at 15 (x) EV/EBITDA & arrived at a fair value of 4,975 per share. We have **ACCUMULATE** rating on the stock.

Financial Snapshot:

Particulars	2013	2014	2015	2016E	2017E
Income from Operations	1809	1977	2193	2463	2833
EBITDA	398	339	460	571	696
EBITDA%	22.0	17.1	21.0	23.2	24.6
Profit After Tax	265	264	322	382	475
EPS	115	114	140	166	206
ROE	20.8	18.6	20.7	22.2	24.2
P/E (x)	23.9	31.4	31.3	26.5	21.3
EV/EBITDA (x)	15.2	23.0	20.7	16.5	13.1

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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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