



Improvement in EBITDA YoY!

25th July, 2016

CMP: Rs. 4,479
Target Price: Rs. 4,975
Recommendation: HOLD

Stock Info

BSE Group	A
BSE Code	500674
NSE Symbol	SANOFI
Bloomberg	SANL IN
Reuters	SANO.BO
BSE Sensex	27,803
NSE Nifty	8,541

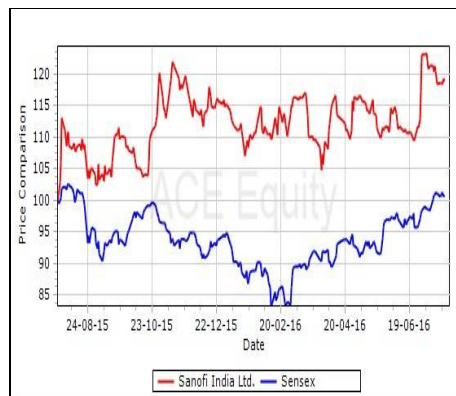
Market Info

Market Capital	10,363 Cr
Equity Capital	23 Cr
Avg. Trading Vol.	12,930 Cr
52 Wk High/ Low	4,770/3,616
Face Value	Rs 10

Shareholding Pattern (%) (June 2016)

Promoters	60.4
Domestic Institutions	15.1
Foreign Institutions	14.3
Public & Others	10.1

Price Chart:



Sanofi India reported 33% rise in Q2 FY 16 net profit

Sanofi India has reported steady set of numbers for the second quarter ended June 30, 2016. The company has posted a rise of 33 per cent in its net profit which came in at Rs 85 crore for the quarter ended June 30, 2016 as compared to Rs 28 crore for the same quarter in the previous year. Meanwhile, the total income for the company has increased by 10.6 per cent to Rs 608 crore for quarter under review as compared to Rs 550 crore for the quarter ended June 30, 2015 and Rs 544 crore sequentially.

Overall expenses surges 8%

Overall expenses stood at Rs 462 crore for the quarter under review, an increase of 7.9 per cent as against Rs 428 crore in the corresponding quarter of the previous year. Operating & manufacturing expenses as a percentage of sales surged from 15.2% to 15.8% YoY. Moreover, depreciation and amortization expenses also increased to Rs 30 crore from Rs 28.4 crore in June quarter of 2015.

Employee benefit expenses as a percentage of sales dropped down from 14.4 per cent to 14.1 per cent YoY. Cost of raw materials as a percentage of sales decreased by 130 bps to 24.5% YoY, resulting in growth of EBITDA which came in at Rs. 146 crore vs. Rs 121 crore in the corresponding quarter of previous year. EBITDA margin expanded 2% YoY to 24%.

Exceptional item

This quarter no exceptional income has been reported by the company and the company declared an interim dividend of Rs 18 per share of Rs 10 each.

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	27.0	21.7
EV/EBITDA (x)	15.2	23.0	20.7	16.8	13.4

Source: - Ace Equity, Arianth Research



Quarterly Results					
Particulars	Q2 FY16	Q2 FY15	YoY %	Q1FY15	QoQ %
Revenue	608	550	10.6	544	11.7
Total Expenditure	462	428	7.9	415	11.3
EBITDA	146	121	20.1	129	12.9
EBITDA Margin	24%	22%		24%	
Other Income	16	10	65.7	26	-35.9
Interest	0.7	0.1		0.1	
Depreciation	30	28		30	
PBT	132	103	27.9	125	5.6
Tax	46	39		44	
PAT	85	64	32.9	81	5.8
EPS	37	28		35	

Valuation:

For the period FY 11- 15, revenue for the company has grown at a CAGR of 14%. We expect the company to sustain this growth rate going ahead for the period FY15-17 on back of its robust performance & strong brand image.

At current price of Rs 4,479 per share the stock is available at P/E & EV/EBITDA of 21.7 (x) & 13.4 (x) respectively, to its FY17 estimates. We have valued the stock at 15 (x) EV/EBITDA & arrived at a fair value of 4,975 per share. We have **HOLD** rating on the stock.

Valuation :

	2013	2014	2015	2016E	2017E
EV/EBITDA	15.2	23.0	20.7	16.8	15.0
EBITDA	398	339	460	571	696
EV	6067	7808	9511	9574	10439
Cash & Bank	264	469	585	741	1018
Debt	1	0	11	0	0
Market Cap.	6330	8277	10084	10315	11457
No. of Shares	2.3	2.3	2.3	2.3	2.3
Target					4975
CMP					4479
Upside					11.1%

Source: - Ace Equity, Aриhant Research



Profit and Loss Account					
Particulars (Rs crore)	2013	2014	2015	2016E	2017E
Income from Operations	1,809	1,977	2,193	2,463	2,833
YoY	15%	9%	11%	12%	15%
Raw Material Cost	638	637	633	697	776
Employee Cost	242	288	333	367	425
Other Manufacturing Expense	181	337	378	361	398
Other Expenses	349	376	389	468	538
Total Expenditure	1,411	1,639	1,733	1,893	2,137
EBITDA	398	339	460	571	696
<i>EBITDA Margin</i>	<i>22%</i>	<i>17%</i>	<i>21%</i>	<i>23%</i>	<i>25%</i>
Depreciation & Amortization	92	97	113	121	132
EBIT	306	242	347	450	564
Other Income	58	64	51	62	65
Interest	0.4	0.5	0.4	0.4	0.4
PBT before Exceptional Items	363	306	398	511	629
Exceptional items	25	67	84	35	50
PBT	388	373	482	546	679
Provision for Tax	123	109	160	164	204
Profit After Tax	265	264	322	382	475
YoY	50%	-1%	22%	19%	24%

Balance Sheet					
Particulars (Rs crore)	2013	2014	2015	2016E	2017E
Equity & Liabilities					
(a) Share Capital	23	23	23	23	23
(b) Reserves & Surplus	1324	1463	1604	1801	2080
Shareholders' Funds	1347	1486	1627	1824	2103
Non-current Liabilities & Prov.	63	86	161	228	269
Current Liabilities	469	656	617	687	751
Total Equity and Liabilities	1878	2228	2405	2738	3123
Assets					
Fixed Assets					
Tangible	254	266	270	281	296
Intangible	445	382	388	408	435
CWIP	136	210	241	260	263
Other Non-current Assets	96	107	262	271	142
Inventory	340	478	479	579	737
Trade Receivables	118	115	132	144	170
Cash & Bank	264	469	585	741	1018
Other Current Assets	224	201	49	53	62
Total Assets	1878	2228	2405	2738	3123

Cash Flow Statement					
Particulars (Rs crore)	2013	2014	2015	2016E	2017E
Operating Activities					
PBT before Exceptional Items	363	306	398	511	629
Add Depr	92	97	113	121	132
Others	(156)	(174)	(230)	(238)	(284)
CFO before Working Capital Changes	299	229	280	394	477
Changes in Working Capital	(27)	36	96	47	129
Cash Flow from Operations	273	265	376	441	606
Investing Activities					
Capex	(174)	(18)	(44)	(62)	(79)
Other Investing Activities	(161)	80	(33)	(38)	(54)
Cash Flow from Investing	(335)	61	(77)	(100)	(133)
Financing Activities					
Dividends + Taxes paid	(105)	(121)	(180)	(185)	(195)
Other financing activities	(0.42)	(0.48)	(0.40)	(0.40)	(0.40)
Cash Flow from Financing	(105)	(122)	(180)	(186)	(195)
Opening Cash	429	261	466	585	741
Changes during year	(168)	205	120	156	277
Closing Cash	261	466	585	741	1,018

Ratio Analysis					
	2013	2014	2015	2016E	2017E
Profitability					
EBITDA%	22.0	17.1	21.0	23.2	24.6
EBIT%	16.9	12.2	15.8	18.3	19.9
PAT%	14.7	13.3	14.7	15.5	16.8
Du Pont ROAE breakup					
PAT / Sales	14.7	13.3	14.7	15.5	16.8
Sales / Assets	1.0	1.0	0.9	1.0	1.0
Assets / Equity	1.4	1.4	1.5	1.5	1.5
ROE	20.8	18.6	20.7	22.2	24.2
Other Ratios					
Current Ratio	2.0	1.9	2.0	2.2	2.6
Debt / Equity	0.0	0.0	0.0	0.0	0.0
EPS	115.1	114.5	139.8	166.0	206.4
DPS	45.0	45.0	65.0	67.0	70.0
Valuation Ratios					
P/E (x)	23.9	31.4	31.3	27.0	21.7
EV/EBITDA (x)	15.2	23.0	20.7	16.8	13.4
P/BV (x)	4.7	5.6	6.2	5.7	4.9

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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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