



Steady Growth!

8<sup>th</sup> Nov, 2016

**CMP:** Rs. 4,254  
**Target Price:** Rs. 4,697  
**Recommendation:** HOLD

Stock Info

<b>BSE Group</b>	A
<b>BSE Code</b>	500674
<b>NSE Symbol</b>	SANOFI
<b>Bloomberg</b>	SANL IN
<b>Reuters</b>	SANO.BO
<b>BSE Sensex</b>	27,510
<b>NSE Nifty</b>	8,517

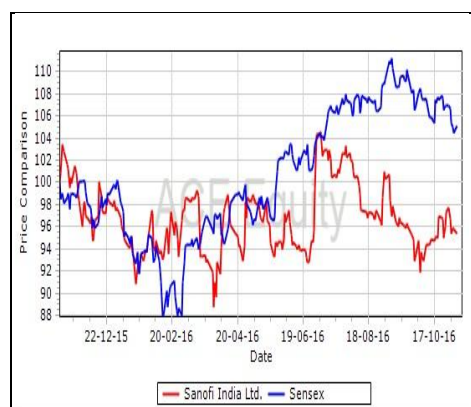
Market Info

<b>Market Capital</b>	9,797 Cr
<b>Equity Capital</b>	23 Cr
<b>Avg. Trading Vol.</b>	12,930 Cr
<b>52 Wk High/ Low</b>	4,770/3,850
<b>Face Value</b>	Rs 10

Shareholding Pattern (%) (Sep 2016)

<b>Promoters</b>	60.4
<b>Domestic Institutions</b>	15.0
<b>Foreign Institutions</b>	14.1
<b>Public &amp; Others</b>	10.5

Price Chart:



Sanofi India reported 11% rise in Q3CY16 net profit

Sanofi India has reported steady set of numbers for the second quarter ended Sep 30, 2016. The company has posted a rise of 11 per cent in its net profit which came in at Rs 81 crore for the quarter ended Sep 30, 2016 as compared to Rs 73 crore for the same quarter in the previous year. Meanwhile, the total income for the company has increased by 6.6 per cent to Rs 624 crore for quarter under review as compared to Rs 586 crore for the quarter ended Sep 30, 2015 and Rs 608 crore sequentially.

Overall expenses surged 8%

Overall expenses stood at Rs 480 crore for the quarter under review, an increase of 8.0 per cent as against Rs 444 crore in the corresponding quarter of the previous year. Operating & manufacturing expenses as a percentage of sales plunged from 16.6% to 14.8% YoY. Moreover, depreciation and amortization expenses also increased to Rs 30 crore from Rs 29 crore in Sep quarter of 2015.

Employee benefit expenses as a percentage of sales surged from 13.9 per cent to 15.2 per cent YoY. Cost of raw materials as a percentage of sales decreased by 300 bps to 24.7% YoY resulting in growth of EBITDA which came in at Rs. 145 crore vs. Rs 142 crore in the corresponding quarter of previous year. EBITDA margin stood at 23% against 24% YoY.

Exceptional item

This quarter no exceptional income has been reported by the company and the company had declared an interim dividend of Rs 18 per share of Rs 10 each which was paid on August 16, 2016.

Financial Snapshot:

Particulars	2013	2014	2015	2016E	2017E
<b>Income from Operations</b>	1809	1977	2193	2424	2722
<b>EBITDA</b>	398	339	460	554	655
<b>EBITDA%</b>	22.0	17.1	21.0	22.9	24.1
<b>Profit After Tax</b>	265	264	322	373	445
<b>EPS</b>	115	114	140	162	193
<b>ROE</b>	20.8	18.6	20.7	21.7	23.0
<b>P/E (x)</b>	23.9	31.4	31.3	26.2	22.0
<b>EV/EBITDA (x)</b>	15.2	23.0	20.7	16.4	13.4

Source: - Ace Equity, Aриhant Research



Quarterly Results					
Particulars	Q3 FY16	Q3 FY15	YoY %	Q2FY16	QoQ%
Revenue	624	586	6.6	608	2.7
Total Expenditure	480	444	8.0	462	3.7
EBITDA	145	142	2.0	146	-0.8
EBITDA Margin	23%	24%		24%	
Other Income	15	9	57.4	16	-9.8
Interest	0.3	0.1		0.7	
Depreciation	30	29		30	
PBT	129	122	5.7	132	-1.7
Tax	49	50		46	
PAT	81	73	11.2	85	-5.5
EPS	35	31		37	

**Valuation:**

For the period FY11-15, revenue for the company has grown at a CAGR of 14%. We expect the company to sustain the growth rate going ahead for the period FY15-17 on back of its robust performance & strong brand image.

At current price of Rs 4,254 per share the stock is available at P/E & EV/EBITDA of 22.0 (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 4,697 per share. We have **HOLD** rating on the stock.

**Valuation :**

	2013	2014	2015	2016E	2017E
EV/EBITDA	15.2	23.0	20.7	16.4	15.0
EBITDA	398	339	460	554	655
EV	6067	7808	9511	9061	9831
Cash & Bank	264	469	585	736	986
Debt	1	0	11	0	0
Market Cap.	6330	8277	10084	9797	<b>10817</b>
No. of Shares	2.3	2.3	2.3	2.3	2.3
Target					4697
CMP					4254
Upside					10.4%

Source: - Ace Equity, Aриhant Research



Profit and Loss Account					
Particulars (Rs crore)	2013	2014	2015	2016E	2017E
<b>Income from Operations</b>	<b>1,809</b>	<b>1,977</b>	<b>2,193</b>	<b>2,424</b>	<b>2,722</b>
YoY	15%	9%	11%	11%	12%
Raw Material Cost	638	637	633	689	750
Employee Cost	242	288	333	361	408
Other Manufacturing Expense	181	337	378	359	391
Other Expenses	349	376	389	460	517
<b>Total Expenditure</b>	<b>1,411</b>	<b>1,639</b>	<b>1,733</b>	<b>1,870</b>	<b>2,067</b>
<b>EBITDA</b>	<b>398</b>	<b>339</b>	<b>460</b>	<b>554</b>	<b>655</b>
EBITDA Margin	22%	17%	21%	23%	24%
Depreciation & Amortization	92	97	113	121	131
EBIT	306	242	347	433	524
Other Income	58	64	51	67	63
Interest	0.4	0.5	0.4	1.4	0.4
<b>PBT before Exceptional Items</b>	<b>363</b>	<b>306</b>	<b>398</b>	<b>498</b>	<b>586</b>
Exceptional items	25	67	84	35	50
<b>PBT</b>	<b>388</b>	<b>373</b>	<b>482</b>	<b>533</b>	<b>636</b>
Provision for Tax	123	109	160	160	191
<b>Profit After Tax</b>	<b>265</b>	<b>264</b>	<b>322</b>	<b>373</b>	<b>445</b>
YoY	50%	-1%	22%	16%	19%

Balance Sheet					
Particulars (Rs crore)	2013	2014	2015	2016E	2017E
<b>Equity &amp; Liabilities</b>					
(a) Share Capital	23	23	23	23	23
(b) Reserves & Surplus	1324	1463	1604	1792	2041
<b>Shareholders' Funds</b>	<b>1347</b>	<b>1486</b>	<b>1627</b>	<b>1815</b>	<b>2064</b>
Non-current Liabilities & Prov.	63	86	161	224	259
Current Liabilities	469	656	617	676	721
<b>Total Equity and Liabilities</b>	<b>1878</b>	<b>2228</b>	<b>2405</b>	<b>2715</b>	<b>3044</b>
<b>Assets</b>					
Fixed Assets					
Tangible	254	266	270	281	295
Intangible	445	382	388	408	433
CWIP	136	210	241	260	263
Other Non-current Assets	96	107	262	267	136
Inventory	340	478	479	570	708
Trade Receivables	118	115	132	142	163
Cash & Bank	264	469	585	736	986
Other Current Assets	224	201	49	52	60
<b>Total Assets</b>	<b>1878</b>	<b>2228</b>	<b>2405</b>	<b>2715</b>	<b>3044</b>

Cash Flow Statement					
Particulars (Rs crore)	2013	2014	2015	2016E	2017E
<b>Operating Activities</b>					
<b>PBT before Exceptional Items</b>	<b>363</b>	<b>306</b>	<b>398</b>	<b>498</b>	<b>586</b>
Add Depr	92	97	113	121	131
Others	(156)	(174)	(230)	(229)	(264)
CFO before Working Capital Changes	299	229	280	390	454
Changes in Working Capital	(27)	36	96	46	122
<b>Cash Flow from Operations</b>	<b>273</b>	<b>265</b>	<b>376</b>	<b>436</b>	<b>576</b>
<b>Investing Activities</b>					
Capex	(174)	(18)	(44)	(61)	(76)
Other Investing Activities	(161)	80	(33)	(38)	(54)
<b>Cash Flow from Investing</b>	<b>(335)</b>	<b>61</b>	<b>(77)</b>	<b>(99)</b>	<b>(130)</b>
<b>Financing Activities</b>					
Dividends + Taxes paid	(105)	(121)	(180)	(185)	(195)
Other financing activities	(0.42)	(0.48)	(0.40)	(1.40)	(0.40)
<b>Cash Flow from Financing</b>	<b>(105)</b>	<b>(122)</b>	<b>(180)</b>	<b>(187)</b>	<b>(195)</b>
Opening Cash	429	261	466	585	736
Changes during year	(168)	205	120	151	250
<b>Closing Cash</b>	<b>261</b>	<b>466</b>	<b>585</b>	<b>736</b>	<b>986</b>

Ratio Analysis					
	2013	2014	2015	2016E	2017E
<b>Profitability</b>					
EBITDA%	22.0	17.1	21.0	22.9	24.1
EBIT%	16.9	12.2	15.8	17.9	19.3
PAT%	14.7	13.3	14.7	15.4	16.4
<b>Du Pont ROAE breakup</b>					
PAT / Sales	14.7	13.3	14.7	15.4	16.4
Sales / Assets	1.0	1.0	0.9	0.9	0.9
Assets / Equity	1.4	1.4	1.5	1.5	1.5
ROE	20.8	18.6	20.7	21.7	23.0
<b>Other Ratios</b>					
Current Ratio	2.0	1.9	2.0	2.2	2.7
Debt / Equity	0.0	0.0	0.0	0.0	0.0
EPS	115.1	114.5	139.8	162.1	193.4
DPS	45.0	45.0	65.0	67.0	70.0
<b>Valuation Ratios</b>					
P/E (x)	23.9	31.4	31.3	26.2	22.0
EV/EBITDA (x)	15.2	23.0	20.7	16.4	13.4
P/BV (x)	4.7	5.6	6.2	5.4	4.7

**Arihant Research Desk**

E. research@arihantcapital.com

T. 022-42254800

**Head Office**

#1011, Solitaire Corporate park,

Building No. 10, 1<sup>st</sup> Floor,

Andheri Ghatkopar Link Road,

Chakala, Andheri (E).

Mumbai - 400093

Tel: (91-22) 42254800

Fax: (91-22) 42254880

**Registered Office**

E-5 Ratlam Kothi

Indore - 452003, (M.P.)

Tel: (91-731) 3016100

Fax: (91-731) 3016199

**Stock Rating Scale**

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

**Research Analyst Registration No.**

INH000002764

**Contact**

SMS: 'Arihant' to 56677

**Website**[www.arihantcapital.com](http://www.arihantcapital.com)**Email Id**[research@arihantcapital.com](mailto:research@arihantcapital.com)**Disclaimer:**

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