

Strong Growth

1st November 2017

CMP: Rs. 4500
Target Price: Rs. 4,928
Recommendation: **HOLD**

Sanofi India Ltd. reported a strong growth for the quarter.

Sanofi India Ltd. posted a revenue of 668 Cr an increase of 11% QoQ and 7%YoY. PAT for the quarter stood at 116cr an increase of 58% QoQ and 44% YoY.

Stock Info

BSE Group	A
BSE Code	500674
NSE Symbol	SANOFI
Bloomberg	SANL IN
Reuters	SANO.BO
BSE Sensex	33,213
NSE Nifty	10,335

EBITDA margins increased substantially:

EBITDA for the quarter rose by 59% yoy to Rs.184 crore. EBITDA margin for the quarter stood at 28% vs 19%QoQ. This margin expansion was aided by lower cost of materials.

Total expenses as % sales decreased:

Total expenses stood at Rs 484 crore for the quarter. Expenses as a percentage of sales stood at 72% vs 81% for the previous quarter. A substantial decrease in expenditure helped Sanofi to post good margins. Cost of material as a percentage of sales decreased from 28.4% to 21% QoQ. Employee benefit expenses as percentage of sales decreased from 16% to 14% QoQ.

Market Info

Market Capital	9,735 Cr
Equity Capital	23 Cr
6M Avg. Trading Vol.	7,164
52 Wk High/ Low	4,950/3,940
Face Value	Rs 10

Other Income:

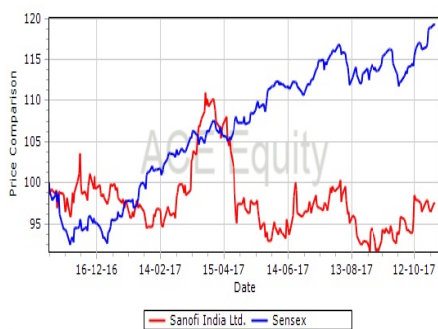
This quarter company reported Rs 21 crore of other income compared to Rs 28 crore a decrease of 27% QoQ.

Shareholding Pattern (%)	(Sep 2017)
Promoters	60.4
Domestic Institutions	14.1
Foreign Institutions	14.2
Public & Others	11.3

Valuation:

Post a weak H1CY17, Sanofi has delivered a fairly strong performance in the Q3 CY17. A strong marketing presence in India, strategy to aggressively invest in growth, and strong presence in fast growing segments (diabetes and CVS) make Sanofi one of the more promising MNC pharma companies in India. With India's Pharma market expected to grow at 12-13% per annum over 5 years, we have maintained a conservative approach with growth estimates of 8% and have valued the stock at PE of 32x to its CY19E EPS of 154, with a Target Price of Rs 4928. We have a **HOLD** rating on the stock. Our previous target Rs 4,454 is been achieved today .

Price Chart:



Financial Snapshot:

Particulars	2016	2017E	2018E	2019E
Income from Operations	2369	2433	2627	2830
EBITDA	528	486	548	606
EBITDA%	22.3	20.0	20.9	21.4
Profit After Tax	297	284	317	355
EPS	129	123	138	154
ROE	17.7	15.9	16.8	17.6
P/E (x)	33.3	36.9	33.1	27.1

Quarterly Results:

Quarterly Results					
Particulars	Q3 CY17	Q2 CY17	QoQ	Q3CY16	YoY
Revenue	668	600.6	11%	624.2	7%
Total Expenditure	484	485	0%	480	1%
EBITDA	184	115	59%	145	27%
EBITDA Margin	28%	19%	43%	23%	19%
Other Income	21	28	-27%	14.8	41%
Interest	0	0.0		0.3	
Depreciation	26	26	1%	30.0	-14%
PBT	179	118	51%	129	38%
Tax	63	45	40%	48.6	29%
PAT	116	74	58%	81	44%
EPS	50	32	58%	35	44%

Profit and Loss Account

Particulars (Rs crore)	2016	2017E	2018E	2019E
Income from Operations	2,369	2,433	2,627	2,830
YoY	8%	3%	8%	8%
Raw Material Cost	618	754	750	752
Employee Cost	359	341	394	453
Other Manufacturing Expense	447	316	357	368
Other Expenses	416	535	578	651
Total Expenditure	1,841	1,947	2,080	2,223
EBITDA	528	486	548	606
EBITDA Margin	22%	20%	21%	21%
Depreciation & Amortization	131	134	138	144
EBIT	397	353	410	463
Other Income	71	85	79	85
Interest	1.5	1.5	1.5	1.5
PBT before Exceptional Items	467	436	487	546
Exceptional items	0	0	0	0
PBT	467	436	487	546
Provision for Tax	169	153	171	191
Profit After Tax	297	284	317	355
YoY	-8%	-5%	12%	12%

Cash Flow Statement

Particulars (Rs crore)	2016	2017E	2018E	2019E
Operating Activities				
PBT before Exceptional Items	467	436	487	546
Add Depr	131	134	138	144
Others	(238)	(225)	(169)	(190)
CFO before Working Capital Changes	360	345	456	500
Changes in Working Capital	(286)	(66)	45	14
Cash Flow from Operations	74	280	502	514
Investing Activities				
Capex	(47)	(49)	(53)	(57)
Other Investing Activities	149	(139)	(149)	(160)
Cash Flow from Investing	102	(188)	(202)	(217)
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	456	555
Changes during year	(14)	(103)	99	88
Closing Cash	559	456	555	643

Balance Sheet

Particulars (Rs crore)	2016	2017E	2018E	2019E
Equity & Liabilities				
(a) Share Capital	23	23	23	23
(b) Reserves & Surplus	1713	1802	1920	2066
Shareholders' Funds	1736	1825	1943	2089
Non-current Liabilities & Prov.	137	121	182	190
Current Liabilities	668	681	741	806
Total Equity and Liabilities	2540	2628	2865	3086
Assets				
Fixed Assets				
Tangible	278	286	295	305
Intangible	390	385	386	380
CWIP	175	191	199	151
Other Non-current Assets	129	122	132	142
Inventory	493	502	615	538
Trade Receivables	145	146	158	170
Cash & Bank	559	456	555	643
Other Current Assets	371	540	526	758
Total Assets	2540	2628	2865	3086

Ratio Analysis

	2016	2017E	2018E	2019E
Profitability				
EBITDA%	22.3	20.0	20.9	21.4
EBIT%	16.8	14.5	15.6	16.4
PAT%	12.6	11.7	12.1	12.5
Du Pont ROAE breakup				
PAT / Sales	12.6	11.7	12.1	12.5
Sales / Assets	1.0	0.9	1.0	1.0
Assets / Equity	1.5	1.5	1.5	1.5
ROE	17.7	15.9	16.8	17.6
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	123.2	137.6	154.1
DPS	68.0	70.0	72.0	75.0
Valuation Ratios				
P/E (x)	33.3	36.9	33.1	27.1
EV/EBITDA (x)	17.7	20.6	18.3	15.0
P/BV (x)	5.7	5.7	5.4	4.6

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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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