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*Sharon Bio-medicine (SBML IN) grossly underperformed in terms of sales, EBITDA as well as adjusted PAT. This is mainly due to y-y contraction in sales coupled with sharp increase in material cost. As a result, SBML reported loss of Rs758mn at EBITDA level compared to operating profit of Rs372mn for Q2FY14. Weak operating performance along with higher interest cost resulted in loss of Rs921mn against profit of Rs171mn at net income level. As of now, there is no visibility on USFDA inspection at its manufacturing facility, which was one of the key trigger for business growth. Though the key trigger was taking time to pan out, operating profit of base business was sufficient to compensate interest outgo. However, Q3FY15 result indicates pain in base business as well. Hence, we terminate our coverage on the lack of any major driver for growth in business of SBML and low visibility on sustainability of operating profit of base business going forward.*

SBML IN (Rs Mn)	Q2FY15	Q2FY14A	Q1FY15A	Y-o-Y Ch.(%)	Q-o-Q Ch. (%)	INSPL est.	Variance
Sales	2,385	3,359	13,248	(29.0)	(82.0)	3,503	(31.9)
EBITDA	(758)	372	1,575	(303.7)	(148.1)	333	(327.6)
Adj Net Profit	(921)	171	703	(638.8)	(231.0)	140	(757.6)
Reported Net Profit	(1,076)	160	758	(773.0)	(241.9)	140	(868.5)

Source: IndiaNivesh Research

### Quarterly results summary

Particulars (Rs Mn)	Q2FY15	Q2FY14	Y-o-Y	1QFY15	Q-o-Q	1HFY15	1HFY14	Y-o-Y
Net Sales	2,385	3,359	(29.0)	3,249	(26.6)	5,634	6,513	(13.5)
Other Income			-		-		4	-
<b>Total Income</b>	<b>2,385</b>	<b>3,359</b>	<b>(29.0)</b>	<b>3,249</b>	<b>(26.6)</b>	<b>5,634</b>	<b>6,517</b>	<b>(13.6)</b>
Consumption of raw material	3,100	2,878	7.7	2,678	15.8	5,778	5,584	3.5
Employee Cost	28	53	(47.1)	66	(57.9)	94	105	(10.3)
Other Expenditure	15	59	(74.9)	119	(87.7)	134	115	16.4
<b>Total Expenditure</b>	<b>3,143</b>	<b>2,989</b>	<b>5.1</b>	<b>2,863</b>	<b>9.8</b>	<b>6,006</b>	<b>5,804</b>	<b>3.5</b>
<b>EBITDA</b>	<b>(758)</b>	<b>370</b>	<b>(304.7)</b>	<b>386</b>	<b>(296.3)</b>	<b>(372)</b>	<b>714</b>	<b>(152.1)</b>
Depreciation & Amortization	30	41	(27.5)	30	(0.7)	60	82	(26.3)
<b>EBIT</b>	<b>(788)</b>	<b>329</b>	<b>(339.6)</b>	<b>356</b>	<b>(321.5)</b>	<b>(432)</b>	<b>632</b>	<b>(168.4)</b>
Other Income	2	-	NA	11	(84.7)	12	-	NA
Interest	166	137	21.6	140	19.0	306	250	22.5
<b>Pre-tax Profit</b>	<b>(952)</b>	<b>192</b>	<b>(595.7)</b>	<b>227</b>	<b>(520.0)</b>	<b>(725)</b>	<b>383</b>	<b>(289.7)</b>
Tax	(31)	34	(191.8)	31	(200.0)	-	68	(100.0)
<b>Profit before minority interest</b>	<b>(921)</b>	<b>158</b>	<b>(682.5)</b>	<b>196</b>	<b>(571.1)</b>	<b>(725)</b>	<b>315</b>	<b>(330.6)</b>
Minority Interest	-	-	-	-	-	-	-	-
<b>Adj net profit</b>	<b>(921)</b>	<b>158</b>	<b>(682.5)</b>	<b>196</b>	<b>(571.1)</b>	<b>(725)</b>	<b>315</b>	<b>(330.6)</b>
Foreign Exchange Gain/(loss), others	155	-	NA	(14)	(1,216.5)	(169)	-	NA
<b>Net Profit (Reported)</b>	<b>(766)</b>	<b>158</b>	<b>(584.4)</b>	<b>182</b>	<b>(521.7)</b>	<b>(895)</b>	<b>315</b>	<b>(384.4)</b>
EPS	(8.7)	1.5	(682.5)	1.9	(571.1)	(6.9)	3.0	(330.6)

### Key ratios

Particulars (%)	Q2FY15	Q2FY14	Bps	1QFY15	Bps	1HFY15	1HFY14	Bps
Gross Margins	(30.0)	14.3	(4,431)	17.6	(4,757)	(2.6)	14.3	(1,683)
<b>EBITDA margin</b>	<b>(31.8)</b>	<b>11.0</b>	<b>(4,279)</b>	<b>11.9</b>	<b>(4,365)</b>	<b>(6.6)</b>	<b>11.0</b>	<b>(1,756)</b>
Net Margin	(38.6)	4.7	(4,333)	6.0	(4,464)	(12.9)	4.8	(1,771)
Material cost/Net Sales	130.0	85.7	4,431	82.4	4,757	102.6	85.7	1,683
Employee Cost/ Net Sales	1.2	1.6	(40)	2.0	(87)	1.7	1.6	6
Other Expenditure/ Net Sales	0.6	1.7	(113)	3.7	(305)	2.4	1.8	61
Tax Rate	3.9	17.7	(1,378)	14.7	(1,075)	-	17.8	(1,775)

Source: Company Filings; IndiaNivesh Research

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