



## BUY

Current Price	7981
Target Price	9187
Upside	15%
52 Week Range	5300/8529

## Key Share Data

Market Cap (Rs.bn)	183.81
Market Cap (US\$ bn)	2.42
No of o/s shares (mn)	23.03
Face Value	10
Monthly Avg. vol(BSE+NSE)	
Nos'000	43.15
BSE Code	500674
NSE Code	SANOFI
Bloomberg	SANL:IN

We believe Sanofi will benefit from its increased focus on diabetes in the Indian market. With leadership in Glargine (LANTUS) and insulin rapid (APIDRA), we expect robust growth in Sanofi's diabetes revenues from existing brands and new launches. We expect the market for LANTUS to expand with reach across Tier 2 & 3 cities. Sanofi's key brands (Lantus, Combiflam, Allegra, Amaryl and Clexane), 55% of sales have grown at 14% CAGR. Further, in exports we expect Sanofi to benefit from the sale of Ankleshwar plant to Zentiva, with generic exports being replaced with Sanofi brands. We expect the company's profitability to improve 210 bps with the change in exports mix. **We initiate coverage on Sanofi India and recommend investors to BUY with a target price of Rs 9187, implying 15% upside.**

### Focus on Diabetes, pain management in India

We expect domestic revenues to grow at 10% CAGR to Rs 28 bn by CY22. Key growth therapies in Sanofi's domestic sales include diabetes (34% of sales), pain management (10%), gastrointestinal (8%) and vitamins (5%). The launch of TOUJEO and COMBIFLAM Icy Hot and higher market share in LANTUS (80%), APIDRA, AMARYL are expected to drive growth from CY19-22E.

### Lower generic exports to improve profitability

With the termination of 5 year contract with Zentiva, we expect exports to degrow 10% CAGR to Rs 6.8 bn by CY22E. With the replacement of generics manufacturing to Sanofi brands, we believe the profitability will improve, from CY20.

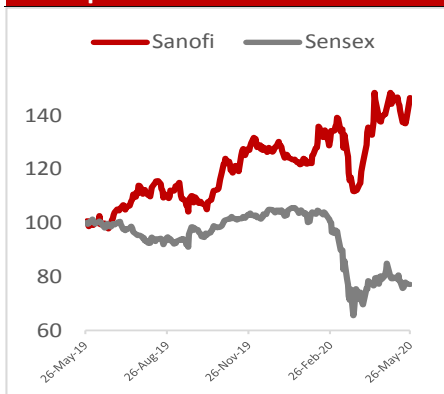
### Financial Outlook

We expect sales to grow at 7% CAGR to Rs 38 bn by CY22E. With 210 bps margin improvement to 24% by CY22E in view of better product mix, we expect EBITDA to grow 10% CAGR to Rs 9 bn by CY22E. PBT to grow at 14% CAGR to Rs 10.6 bn by CY22E. With lower taxes at 26%, we expect PAT to grow 15% CAGR to Rs 7.2 bn by CY22E.

### Outlook & Valuation

We have valued Sanofi as a weighted average of 30x P/E and 21x EV/EBITDA on CY22e EPS of Rs. 314.3 and an EBITDA of Rs. 8957mn respectively. At CMP, Sanofi trades at 19x EV/EBITDA and 25.5x CY22E EPS of Rs 314.3. **We Initiate coverage on the stock and recommend investors to BUY with a target price of Rs 9187, i.e. upside of 15%.**

## Price performance



% Shareholding	Mar-20	Dec-19
Promoters	60.40	60.40
Public	39.60	39.60
Others	0.00	0.00
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## Financials (Rs. Mn)

Year	Sales	% Growth	EBIDTA	OPM (%)	PAT	% Growth	EPS	PE (x)	EV/EBITDA	RoE (%)	RoCE (%)
CY17	24,914	3.0%	5,372	21.6%	3,260	7%	141.7	56.5	33	16%	24%
CY18	27,708	11.2%	6,235	22.5%	3,806	17%	165.5	48.4	28	17%	26%
CY19	30,706	10.8%	6,653	21.7%	4,735	24%	180.1	44.5	26	19%	26%
CY20E	31,228	2%	7,160	22.9%	5,418	14%	191.9	41.8	24	27%	35%
CY21E	34,260	10%	7,900	23.1%	6,120	13%	266.1	30.1	22	26%	34%
CY22E	37,621	10%	8,957	23.8%	7,229	18%	314.3	25.5	19	26%	34%



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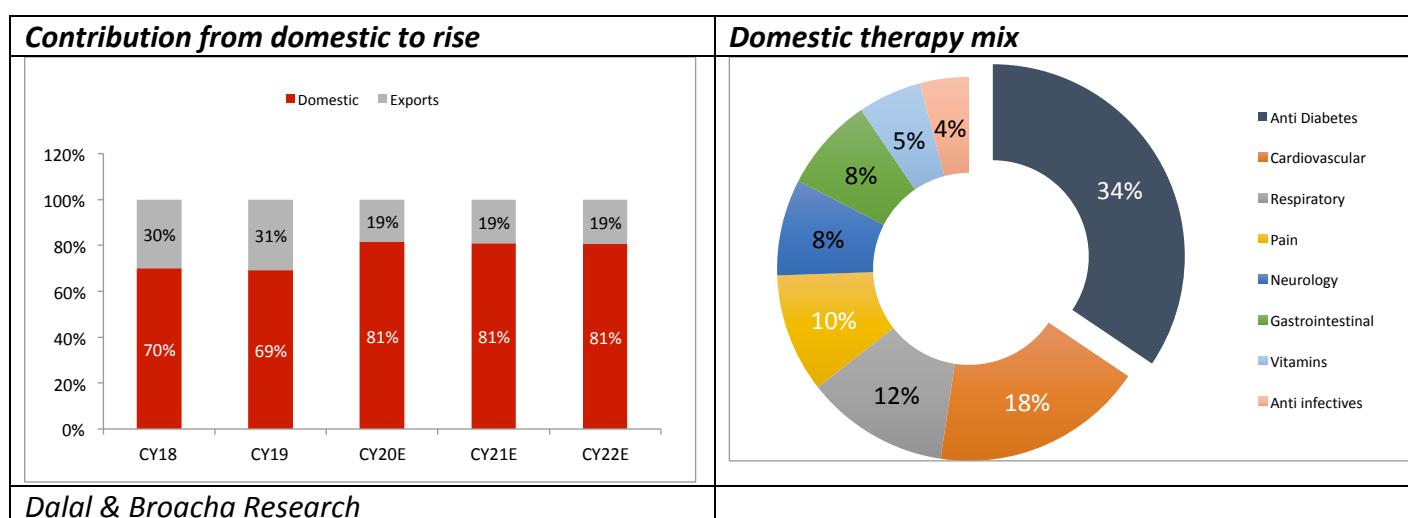
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## Investment Rationale

Sanofi India Limited, headquartered in Mumbai, is a part of Sanofi group. In CY19, Sanofi India gained 5 ranks to 15<sup>th</sup> in the Indian pharmaceutical market, with 4 brands amongst the top 100 in the industry. The company's market share in India increased to 2.3% from 1.6% in CY18. Sanofi manufactures formulations in diabetics, cardiovascular, thrombotic, metabolic disorders, oncology, disorders of the central nervous system, as well as internal medicine.

The company also exports 31% of its revenues to 59 countries, catering the markets of Germany, Australia, UK and Russia. Sanofi India exports Paracetamol & Codeine tablets, Metformin tablets, Frestol dragees and the Allstar pen (reusable insulin device).

**In CY19, Sanofi India earned revenues of Rs 30.7 bn, of which Rs 21.3 bn (+8% CAGR CY15-19) were from domestic sales and Rs 9.4 bn (+15% CAGR) from exports. In India, Sanofi has a focus on diabetes, with a larger role in insulins. Further, Sanofi's top 5 brands (Lantus, Amaryl, Combiflam, Allegra and Clexane) comprise 55% of sales.**



## A major player in diabetes – more so in Insulins

### 1) Anti - Diabetic (30% of Sales)

- The **Indian diabetes market is valued at Rs 140 bn, growing at 11-12%**, marginally above the Indian Pharmaceutical market (IPM) growth of 10%. Around 69mn people from India are estimated to be diabetic, and this could double by 2025. It is believed that only around 26%-32% of the total diabetic population in India is under treatment. The market is further expected to grow at a CAGR of 15.5% during 2020-2025.
- Insulins valued at Rs 25-26 bn**, comprise 18% of the diabetes market.



3. Sanofi India's diabetes portfolio is **largely into insulins (25% of total sales)** as well as oral solids. Sanofi deals with 27 drugs in diabetes in India.
4. **Sanofi's insulin brands are Lantus, Insuman cartridges, Apidra, Toujeo and all-star pens** which have shown robust growth over the years. In Glargine and Glulisine, Sanofi leads the market.
5. **Sanofi ranks fifth amongst diabetes players in India**, following Abbott (Novo), US Vitamins, Lupin (Boehringer) and Sun Pharma. In non insulins Sanofi's key brands have been Amaryl and Cetapin.
6. **Key growth brands in anti diabetics are Lantus, Toujeo, Amaryl and Apidra.**
7. In CY19, Sanofi's sales from anti diabetics were Rs 9-9.5 bn, growing at 17% CAGR (CY15-19). Going forward, we expect **Sanofi's Diabetes sales to grow at a CAGR 13% CY19-CY22E to Rs 13.5 bn by CY22.**

### Robust growth in diabetic products

Growth of the Drugs in value terms (%)	Molecule	NLEM	Sales	Mkt share	CY14	CY15	CY16	CY17	CY 18
Lantus	Glargine	Y	4500	80%	30%	20%	28%	18%	27%
Insuman Cartridges	Combination insulins	Y			25%	15%	38%	19%	18%
Apidra	Glulisine	N		100%	50%	50%	54%	23%	17%
Amaryl	Glimepride	Y			10%	13%	24%	9%	17%
Cetapin	Metformin Hydrochloride	Y			20%	10%	6%	3%	-1%
Toujeo	Glargine U300	N	280		-	-	-	-	-

Dalal & Broacha Research

#### I. **Lantus (21% of Domestic Sales /78-80% Market share in the Indian Anti-diabetic Market/50% of Total Diabetes Sales made by Sanofi)**

1. Sanofi's flagship brand Lantus is the most prescribed basal insulin (Glargine) brand. Lantus is the 3<sup>rd</sup> largest prescription brands in India and has improved its ranking from 18th in 2015.
2. Glargine is the second largest molecule and is a modern insulin, growing at 6% after human premix insulins (+7%).
3. **LANTUS** leads the market with a ~78-80% market share. In Glargine, Sanofi competes with Biocon, Wockhardt (now Dr. Reddy's) and Lupin.
4. It's used to improve blood sugar levels in adults and children (ages 6 years and older) with type 1 diabetes adults with type 2 diabetes. It is basal insulin and manages base blood sugar level during the period between meals and while one is asleep. It absorbs slowly and is long-lasting, to be administered **once a day.**

#### II. **Toujeo**

1. Sanofi launched Toujeo in CY 2018. It is also a basal insulin like Lantus.
2. The difference between the two basal insulins is that while Lantus contains 100 units/mL, Toujeo is more concentrated and triples Lantus' capacity, yielding 300 units/mL. While Lantus is suitable for people with diabetes who are age 6 and up, Toujeo is only approved to treat patients who are 18 years and older.



- As per market sources, Toujeo sales are approx. INR 280 -300 mn. Further, Sanofi global recorded sales of €883mn in CY2019, growth of 3.2% over last year.

### III. Amaryl (~11% of Domestic Sales)

- Amaryl (Glimepiride) is an oral medicine which is prescribed along with diet and exercise for people suffering from Type 2 diabetes. It has shown consistent growth, with double-digit growth witnessed in value terms over the past years. The company has leveraged the brand through extensions Amaryl MV and Amaryl creation of combinations (Glimepiride + Metformin + Oglibose, Glimepiride + Pioglitazone and Glimepiride + Metformin).
- Amaryl is Sanofi's second largest product, growing at 14-15% CAGR to Rs 2.5 bn in CY19.
- The management at the time of AGM, guided that, during CY18 Amaryl MV was included in NLEM and Amaryl franchise saw volume growth of 10-12% after price cut of ~20-40% on various strengths.
- Amaryl Ranks 1, Amaryl M Ranks 4 and Amaryl MV Ranks 8. Out of the above only Amaryl is under price control i.e. Amaryl M and AmarylMV are out of price control.
- We expect Amaryl portfolio to grow at a CAGR of 10-12% over CY19-CY22E to Rs 3.7 bn.

### IV. Apidra

- It is a meal-time insulin intended to control the surge in blood glucose level post meals (post prandial glucose). The key competitors for Apidra in the market include Novolog (Novo Nordisk) and Humalog (Eli Lilly). Apidra has a faster onset of action (10-15 minutes) as against 15-30 minutes for Humalog and 10-20 minutes for Novlog.
- It is the only player in INSULIN ANALOGUES rapid group.

### 2) CARDIAC (18% of India sales)

- The Indian cardiovascular market is valued at Rs 182 bn growing at about 12-13% YoY.
- Cardiovascular diseases (CVDs) have now become the leading cause of mortality in India. A quarter of all mortality is attributable to CVD. Ischemic heart disease and stroke are the predominant causes and are responsible for >80% of CVD deaths. The Global Burden of Disease study estimate of age-standardized CVD death rate of 272 per 100 000 population in India is higher than the global average of 235 per 100 000 population. Over three quarters of CVD deaths take place in low- and middle-income countries.
- Sanofi revenues from cardiac products are around 4.8 bn, growing at 8-9% annually.
- Under this therapy Sanofi has products like, Clexane (Rank No.1 in Heparins(blood clotting))(This drug is under price control), Cardace(rank No.1 in Ace Inhibitors) LASILACTONE (Rank No.1 in combination of 2 diuretics), Seacod , Cordarone, Metosan, Telsite, Cardace, Multaq etc. Overall Sanofi has 30 products under this therapy.
- Going forward, we expect the cardiac segment to grow at a CAGR of 8% to Rs 6.1 bn by CY22E.

#### I. Clexane

- Clexane Injection is known as an anticoagulant and is used to prevent and treat harmful blood clots. It stops the existing clots from getting any bigger and stops new ones forming. This helps prevent heart attack, a type of clot called deep vein thrombosis (DVT) and pulmonary embolism.
- Clexane is currently under price control.



- Competitors to Clexane are Loparin (Intas Pharma), Lupenox (Lupin), Enclex(Cipla) and Parihep(Abbott). All the drugs are priced in the same range as that of clexane.

## II. Cardace

- CARDACE H 5MG is a combination of two medicines called hydrochlorothiazide and Ramipril belongs to a group of medicines called "ACE inhibitors" (Angiotensin Converting Enzyme Inhibitors) Hydrochlorothiazide belongs to a group of medicines called "thiazide diuretics" or water tablets
- The price of the drug stands at INR 199.35 as compared to its competitors Ramihart at INR 105 (Mankind Pharma) and Ramcor at INR 129.40 (Ipca Labs).

## 3) Respiratory (12% of India sales)

- The respiratory therapy is valued at Rs 10-11 bn, growing at 13%.**
- This segment is fully crowded with lots of generic players and commanding price is very difficult. Hence, in order to generate sales, margins would remain subdued.
- Threat of this segment coming under NLEM is low as compared to others as cost of drugs are very competitive and affordable for one.
- Sanofi's respiratory sales growing at a CAGR of 9.65% to Rs 3-3.5 bn in CY19. Going forward, we expect growth of 5% over CY19-CY22E, on account of increase in competition from other generic players and lower launches of products under this segment.
- Under this segment, Sanofi has 2 key products Allegra and Avil.

### I. Allegra

- Allegra is amongst the top 5 products with sales of around Rs 1.5-1.8 bn.
- This Drug belongs to a group of medicines called antihistamines. – market size and growth It is used to treat various allergic conditions such as hay fever, conjunctivitis and some skin reactions such as eczema, hives and reactions to bites and stings. It also relieves watery eyes, runny nose, sneezing, and itching
- Allegra has grown at a CAGR of 15% over the last 5 years. It cost INR 16.82/tablet(120mg). The product is facing competition from other generics.

### II. Avil

- Avil Tablets contain pheniramine maleate, a medicine used to treat allergic conditions such as hayfever, runny nose, itching skin and skin rashes. It is also used in the prevention and treatment of inner ear disorders (eg Meniere's disease) and travel sickness.
- Avil tablets cost INR 8.25 per tablet

## 4) PAIN (10% of India sales)

- Under this therapy drugs for pain killer are sold mainly used to reduce pain, fever, and inflammation. It is also used to treat many conditions such as headache, muscle pain, pain during periods, toothache and joint pain.
- The pain management therapy is valued at Rs 9.8 bn, growing at 9-10%.**



3. Sanofi's pain management revenues have grown at 5% CAGR to Rs 2.7 bn in CY19. However, with the launch of Combiflam Icy Hot in CY18, we expect the pain management revenues to grow at 8-10% going forward.

#### I. Combiflam

1. Combiflam continues to be amongst the top 5 brands in the Nonsteroidal Anti-inflammatory Drugs (NSAID) market. In CY 2018, Combiflam Icy Hot was launched, which was the first OTC extension of Combiflam. Each uncoated tablet of Combiflam contains Ibuprofen IP 400 mg and Paracetamol IP 325 mg.
2. This drug ranks amongst the Top 5 drugs sold by Sanofi in India and has been growing at CAGR of 6% CY15-CY19.
3. The cost is INR 1.73/tablets (INR 34.62/20 Tablets), as compared to peers Ibugesic Plus Tablet INR 1.14/tablet (CIPLA Ltd), Fenceta INR 1.25/tablet (Alkem labs), Zupar INR 1.11 (Glaxo).

#### Faster Launches of Parent Drugs in India.

In India, all the MNC companies have the biggest benefit as compared to domestic companies, is the strong parenthood. In this kind of a business model, all domestic company deals with sales only and R&D is done at the parent end. In the recent days, Sanofi India, has started launching drugs in the Indian market in a short span of time from the global launch by Sanofi Global, highlighting Indian market importance and focus of the management on growing Indian market.

Name of the Brand	Therapy	Year of Launch in Global Markets	Year of Launch in Indian Markets
Hexaxim	Vaccine	2016	2017
Toujeo	Anti-Diabetic	2018	2018

In the recent months, Sanofi Global launched, **Dupixent** (to treat people 12 years of age and older with moderate-to-severe atopic dermatitis (eczema) that is not well controlled with prescription therapies used on the skin (topical), or who cannot use topical therapies). Dupixent was launched in November 2018 in the US and Europe. Sales It has generated sales. Recently the USFDA has accepted for Priority Review the supplemental Biologics License Application (sBLA) for Dupixent® (dupilumab) as an add-on maintenance treatment for children aged 6 to 11 years with moderate-to-severe atopic dermatitis whose disease is not adequately controlled with topical prescription therapies or when those therapies are not advisable. The target action date for the FDA decision is May 26, 2020. We expect the same to launch in India.

#### **Exports to reduce with sale of generics business and plant to Zentiva**

Sanofi India Limited entered into a transaction to sell its Ankleshwar site (34% of Sales & 13% of Net worth) to Zentiva (Advent) in September'19. Sanofi India approved a transaction for the slump sale and transfer of its manufacturing facility at Ankleshwar, Gujarat to Zentiva at Enterprise Value of INR 2617 mn. As per company's estimates average annual export revenue loss to the Company upto 2023 (balance of five-year supply agreement

with Advent) is about INR 4700 mn (~15% of Topline). Further, this plant comprises INR 2950 mn to the network which is 13% of overall network. The company expects to close the deal by June 2020.

The Ankleshwar plant manufactured Combiflam and Allegra. Sanofi will do a site transfer for the 2 products and transfer manufacturing of all Zentiva products to the Ankleshwar plant. The plant will be Zentiva's largest plant with a capacity of 5 bn tablets.

Particulars	Amount
Year of Establishment of Ankleshwar Plant	1987
Key Products Manufactured	Combiflam and Allegra
Revenue Contribution(%) to Total Sales	34% (CY18 - ~9423 mn)
Export Sales to Zentiva Retained (40% of Exports)	INR 1752
Contribution(%) to Net worth	13% (CY18 - ~)
Employees in the Facility	600
Enterprise Value	INR 2617 mn
EV/Sales	1.5x

Post approval, Sanofi's exports will decline to Rs 5322 mn in CY2020 and grow thereafter at 13% to Rs 6800 mn by CY22E. Post the transaction, contribution of exports will be 19-20% of Sanofi sales.

## Key Risks

### Price Control

One of the major threats that Sanofi faces is any product coming under price control. With several power brands, significant brand recall via patient outreach programs, and a patented product portfolio, we believe that MNC would be less vulnerable as compared as that to Indian Pharma companies.

PRICE CONTROL IN INDIA	
Year	Scope of Price Control Announced
1995	Covered 74 bulk drugs and their formulations based on cost plus method
2013	652 formulations covering 348 drugs brought under price control as part of the National List of Essential Medicines (NLEM). Price control methodology changed to market based pricing as compared to cost plus method
<b>2015</b>	<b>NLEM expanded to include essential cardiac and diabetes drugs (NPPA fixed prices of 106 Anti-diabetic and Cardiovascular drugs)</b>
2016	Reduced prices of 33 essential medicines by 30-50%
2018	Revised ceiling and retain prices of 68 formulations
2019	Trade margins of 42 anti-cancer drugs capped to 30%
2019	NPPA raises ceiling prices of 21 essential drugs medicines by 50% (BCG vaccine, anti-malaria drug Chloroquine, anti-leprosy drug Dapsone)





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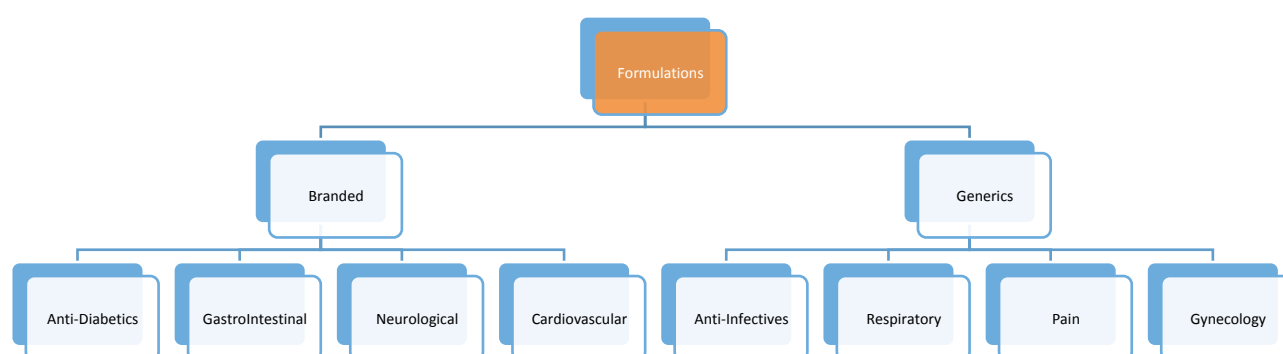
As mentioned earlier as well, Price Control into Sanofi's products remain a key threat for the company. However, we believe that major drugs into cardiovascular and diabetes are already into price control, other therapies may not attract much of drugs into price control.

Therapy	Name of the Drug Under Price Control
Diabetes	Amaryl, Cetapin & Insuman
Anti-infective	Brodactum
Anti-Rheumatic	Arava
Cardiology/CV	Cardace, Clexane & Lasix
CNS	Frisium
Oncology	Taxotere
Skin Care	Soframycin

### Competition from Trade Generics

The trade generic market in India is valued at US\$1.6bn (8% of the IPM). With trade generics, patients have the option to go for cheaper substitutes. However, MNCs' patient-outreach efforts have been channelized very well to create strong brand recall for patients. As per various pharma industry reports, it is observed that branded formulations are mainly sold and are preferred over generics, by patients/end users, in a few chronic therapies.

### Deeper penetration of Ayushman Bharat to improve volumes



**1. Current status of Ayushman Bharat** – States, therapy focus, number of patients The Ayushman Bharat–Pradhan Mantri Jan Arogya Yojana (AB–PMJAY) was launched by the Government of India in 2018. The AB– PMJAY defines a benefit cover of ₹5 lakh per family per year for secondary and tertiary care hospitalization and it is aimed at covering a total of 10 crore families (approximately 50 crore persons or 40% of the country's population based on the socio-economic and caste census database).

### **2. Number of Hospitals Covered**





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- a. As per the PMJAY website, totally 19,668 hospitals have been empaneled under Ayushman Bharat scheme in India. (As of 25.11.2019). These include over 9000 hospitals in the private sector.
- b. Further, state wise, Gujarat topped the list with 2856 empaneled hospitals followed by Karnataka with 2849 and Uttar Pradesh with 2312 hospitals.

### 3. Number of Patients Covered

a. Within first 12 months of inception, 46.4 lakh hospital treatments, worth Rs 7,500 crores have been carried out under Ayushman Bharat scheme, and 60% of the amount spent is on tertiary care and more than 10.3 crore ecards have been issued.

4. Packages offered and Treatments covered a. PM-JAY has 1,393 treatment packages out of which 1,083 are surgical, 309 medical and 1 unspecified package. The package includes the cost of diagnostics up-to 3 days before hospitalization, and medicines up to 15 days post hospitalization. Under the surgical packages. The treatment packages are very comprehensive, covering treatment for nearly 24 specialties that include super specialty care like oncology, neurosurgery and cardio-thoracic and vascular surgery. Benefit to Sanofi – through higher volumes in the market.

#### **Jan Aushadhi**

Jan Aushadhi is a Government initiative to provide quality generics drugs at affordable prices. Jan Aushadhi stores have expanded aggressively to over 4,000 now, most of which have opened over last three to four years. While Jan Aushadhi is gaining ground and expands the reach of healthcare in lower Tier towns, it will need continued improvement in supply chain/quality of drugs and provide more incentives to franchisee partners in the initial years. However, we feel that certain therapies like diabetes are already under price control and therapies where medicines are required on a regular basis patient stickiness is very high. Also, in terms of quality products no one would come near MNC quality manufacturing. Hence, impact disruption seems to be very low as of now.

#### **PEER ANALYSIS**

1. MNC companies are brand driven companies, with majority of their sales coming from key brands. Further, MNC companies are majorly spread over Tier 1 and Tier 2 companies where Brand recall plays a major role. In the table given below, key highlights of all MNC are mentioned.

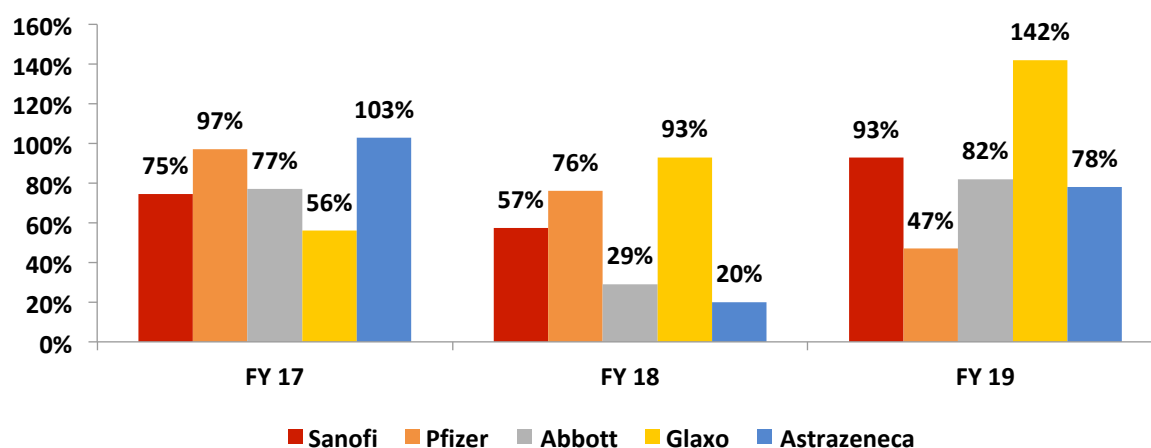
Particulars	Market Share	Domestic Sales (% of Sales)	Export Sales (% of Sales)	Chronic Sales (% of Sales)	Acute Sales (% of Sales)	Products under Price Control(%)
PFIZER INDIA	2.10%	100%	-	19%	81%	15%
GSK INDIA	3.10%	100%	-	5%	95%	30%
ABBOTT INDIA	6.40%	100%	-	60%	40%	24%
ASTRAZENECA INDIA	1.15%	100%	-	80%	20%	25%
<b>SANOFI INDIA</b>	<b>1.70%</b>	<b>70%</b>	<b>30%</b>	<b>53%</b>	<b>47%</b>	<b>20%</b>



2. All MNC companies are cash rich companies, with huge cash balances and less investment. Herewith below we have compared profitability, cash and fixed assets for a few MNC companies.

Particulars (InMN)	PFIZER INDIA (In FY)	GSK INDIA (In FY)	ABBOTT INDIA (In FY)	ASTRAZENECA INDIA (In FY)	SANOFI INDIA (In CY)
Revenue (FY19/CY19)	20,815	31,285	37,919	7,283	27,708
EBITDA	4,743	6,065	8,080	880	6,235
EBITDA % (FY19/CY19)	22.79%	19.39%	21.31%	12.08%	22.50%
Revenue (9MFY20/9MCY19)	16,492	24,495	31,334	6,371	22,443
EBITDA	4,630	4,830	6,181	1,079	4,871
EBITDA % (9MFY19/9MCY19)	28.07%	19.72%	19.73%	16.94%	21.70%
Fixed Assets (Net)	1,854.80	11,600.90	1,036.10	798.51	3527.00
CASH & Current Investments	20,253.00	9,048.50	18,130.00	2,329.37	12,897.00
Net worth	31,560.80	23,481.90	21323.60	3295.83	24,423.00
MCAP (In MN)	2,10,592.80	2,43,614.30	3,76,841.50	78,036.30	1,83,523.80
Cash % of Map	10%	4%	5%	4%	7%
Cash % of Net worth	64%	39%	85%	71%	53%
ROCE(%)	23%	31%	37%	27%	30%

These companies have huge cash generation; hence we have compared cash flow generation as % to EBITDA.





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## Valuations & Financials

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### Valuation methodology

Weighted average target price Methodologies	Target	Weight	Weighted average price	Multiples
Using EV/EBITDA approach	8739	35%	3059	21x CY22E EBITDA
Using P/E approach	9429	65%	6129	30x CY22E EPS
<b>Weighted average target price</b>			<b>9187</b>	
Current price			8,013	
<b>% Upside/(Downside) from current levels</b>				<b>15%</b>

## Peer Valuations

26/05/20																			
Company	CMP	MCAP	P/E FY19	P/E FY20E	P/E FY21E	P/E FY22E	EV	EV/EBITD A 20E	EV/EBITD A 21E	EV/EBITD A 22E	EBITDA 20E	EBITDA 21E	EBITDA FY22E	EPS 20E	EPS 21E	EPS 22E	Debt	Cash	
GlaxoSmithKline Pharma	1,370	2,32,171	60	39	33	221507	33	28	24	6651	7939	9390	23	35	41	0	10664		
Abbott India	16,520	3,51,040	60	65	53	332911	43	37		7774	9035		254	312	400	0	18129		
Pfizer India	4,200	1,92,163	37	32	28	173045	30	27	21	6323	7217	8073	114	132	148	25	19143		
Sanofi India	8,013	1,84,546	42	42	30	171649	24	22	19	7160	7900	8957	192	266	314	0	12897		
Merck India	3,952	65,609	69	62	44	53175	35	24		1590	2265		64	90		0	12434		
<b>AVERAGE</b>			<b>56</b>	<b>55</b>	<b>41</b>	<b>32</b>		<b>33</b>	<b>27</b>	<b>21</b>									



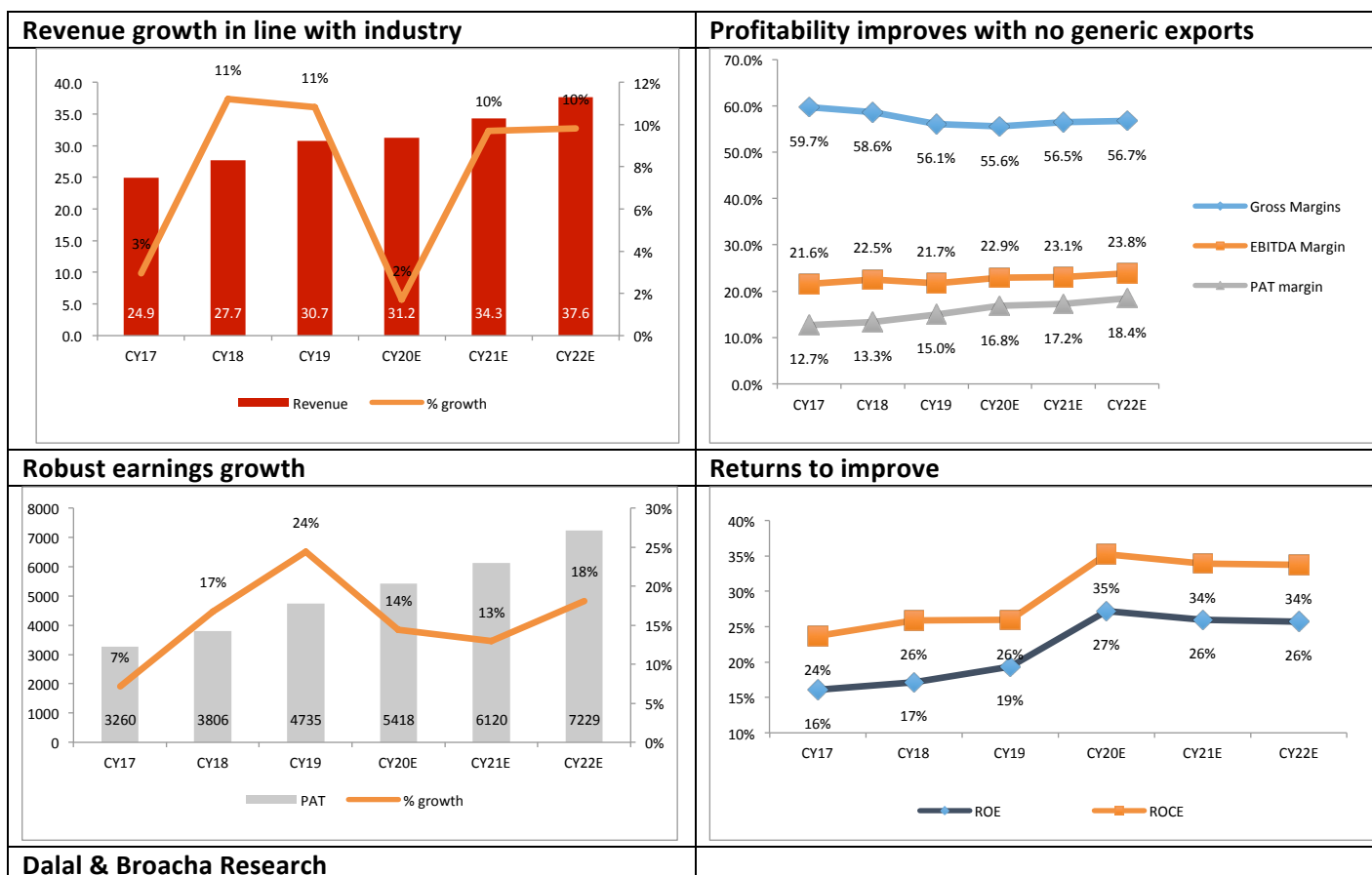
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## Financials



### Q1CY20 results

- Sanofi India revenues grew 9% to Rs 7845 mn in Q1CY20.
- The profitability improved with EBITDA margins of 22.5% (+108 bps yoy/+940 bps qoq).
- With lower depreciation due to the transfer of its Ankleshwar plant, PBT grew 23% to Rs 1850 mn.
- PBT margins in Q1CY20 were at 23.5%, highest in the last 5 quarters.
- PAT (without Exceptional item) – INR 1358 (+ 46%YoY /+ 16%QoQ). PAT (with Exceptional item) – INR 854 (-8%YoY /-12%QoQ).**
- EPS for the quarter was at Rs 59.**
- Sanofi India declared a total dividend of Rs 349 per share (Rs 106 + Rs 243 special dividend).
- Exceptional Loss – INR 504 mn v/s INR 199 mn in Q4CY19 and NIL Q1CY20.** The exceptional loss is on account of maintenance capital that was immediately impaired and information technology services costs, legal & professional services costs and government taxes.



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- Zentiva Private Limited received the approval from the Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers and now the transaction is expected to close by June 30, 2020. Hence maintenance cost for Q2CY20 would be as a part of exceptional item. We assume an exceptional loss of Rs 500 mn in Q2CY20, taking the loss to Rs 1000 mn in CY20.**

**We believe Sanofi's profitability will improve with a larger focus on Sanofi brands. The reduced exports (ex generics sale to Zentiva) will enable improvement in product mix leading to a higher profitability.**

### Company Background

Sanofi India Limited previously known as Aventis Pharma Limited is amongst the leading multinational companies in Indian Pharmaceutical Industry. It offers various pharmaceutical drugs across different therapy areas such as Diabetes, Cardiology, Thrombosis, Central Nervous System and Antihistamines.

Sanofi one of the world's leading pharmaceutical companies and its 100% subsidiary Hoechst GmbH are the major shareholders of Sanofi India Limited and together hold 60.4% of its paid-up share capital.

The operations of the Company represent a primary business segment relating to pharmaceuticals which is spread across geographies including India. The company also has various independent contract/third party manufacturers based across the country.

Post the sale of its Ankleshwar plant to Zentiva, Sanofi's manufacturing facility, is at Verna, Goa (pharmaceuticals). Sanofi has 3301 employees, which includes a salesforce of 2100 medical representatives.

Year	Milestones
2018	<ul style="list-style-type: none"> <li>Sanofi India launched new product Toujeo™, the next generation basal insulin for Type 1 &amp; Type 2 Diabetes.</li> <li>Sanofi India enjoys a leading position with brands like Valparin® and Frisium® in neurology which continue to grow in volumes.</li> </ul>
2017	<ul style="list-style-type: none"> <li>In August 2017, the first OTC extension of the iconic brand Combiflam® was launched in the topical pain care space called Combiflam® ICYHOT™ to reduce pain and relax stiff muscles.</li> <li>Cardace® group, the flagship brand, grew in volumes and continues to be the number 1 ACE Inhibitor prescribed by Cardiologists, Diabetologists and Consulting Physicians.</li> </ul>
2016	<ul style="list-style-type: none"> <li>Sanofi India launched DePURA™ Kids, India's first pediatric Vitamin D formulation.</li> <li>Lantus® is the number 1 brand in the basal analog market and also won the prestigious AWACS AIOCD industry award as the best brand of the year - Gold category for Marketing Excellence for the second year in a row.</li> </ul>
2015	<ul style="list-style-type: none"> <li>Amaryl® launched two new extensions launched namely Amaryl® MV for the treatment of Type II diabetes mellitus patients when diet, exercise and second line therapy with two drugs do not result in adequate glycemic control</li> <li>Semi-Amaryl® is first line therapy in Type II diabetes mellitus patients, when blood glucose levels cannot be controlled adequately by diet, physical exercise and weight reduction alone.</li> </ul>
2014	<ul style="list-style-type: none"> <li>Sanofi India partners with Emcure Pharmaceuticals for marketing and distribution of its oncology portfolio in India.</li> </ul>
2013	<ul style="list-style-type: none"> <li>Launched three new brands Combiflam® Plus for management of headache, Novalgin® NU for mild to moderate pain and Baralgin®NU for abdominal colic pain.</li> </ul>



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