



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Charulata Gaidhani 022 67141446

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Q2CY20 Result Update @ Dalal & Broacha

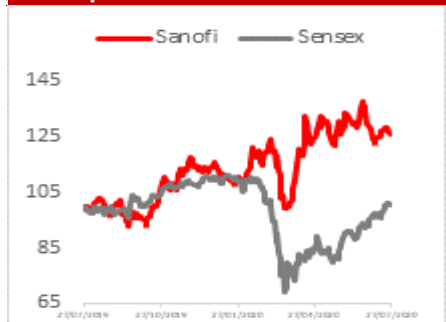
## BUY

Current Price	7897
Target Price	9187
Upside	16%
52 Week Range	5610/8528

## Key Share Data

Market Cap (Rs.bn)	174.45
Market Cap (US\$ bn)	2.33
No of o/s shares (mn)	23.03
Face Value	10
Monthly Avg. vol (BSE+NSE) Nos'000	27.17
BSE Code	500674
NSE Code	SANOFI
Bloomberg	SANL:IN

## Price performance



% Shareholding	Jun-20	Mar-20
Promoters	60.40	60.40
DII	16.14	16.49
FII	12.47	12.17
<b>Total</b>	<b>100</b>	<b>100</b>

Sanofi India Q2CY20 results were better than expectations. Lower material costs and other expenses aided margin expansion. EBITDA margins at 25%, was highest in the last 6 quarters. Further, there is no exceptional charge towards the Ankleshwar plant during the quarter.

## Q2CY20 Key Highlights

- Sales -5% yoy/-9% qoq Rs 7105mn. **Adjusted for ZENTIVA sales grew 1% yoy.**
- EBITDA +13% yoy to Rs 2069 mn. **EBITDA margins 25% (+400 bps yoy/ +250 bps qoq).**
- PBT +20% to Rs 1859 mn, due to 25% increase in Other Income.
- PAT +39% to Rs 1357 mn. EPS for the quarter Rs 59.

## H1CY20 Key Highlights

- Sales +2% to Rs 14950 mn.
- EBITDA +14% yoy to Rs 3544 mn. **EBITDA margins 23.7% (+244 bps yoy).**
- PBT +21% to Rs 3709 mn, **due to 21% lower depreciation and 26% increase in Other Income.**
- PAT +39% to Rs 1357 mn. EPS for the quarter Rs 59.
- **Cash as on H1CY20 increased to Rs 16887 mn (Rs 11295 mn in CY2019). Of the increase of Rs 5592 mn, Rs 3207 mn came from the ZENTIVA deal with balance from operations.**

## Key Appointments

Mr. Marc-Antoine Lucchini has been appointed as a non executive Additional Director is a French national with 30 years experience in the global pharmaceutical industry. He heads International business for 68 countries including India, which has been earmarked amongst 10 high potential countries.

At CMP, Sanofi trades at 30x CY21E EPS of Rs 263.

**WE MAINTAIN OUR BUY RATING ON THE STOCK.**

## Financials (Rs. Mn)

Year	Sales	% Growth	EBITDA	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	32	16	24
CY18	27,708	11.2%	6,235	22.5%	3,806	17%	165.5	48	28	17	26
CY19	30,706	10.8%	6,653	21.7%	4,735	24%	180.1	44	25	19	26
CY20E	31,041	1%	7,115	22.9%	5,372	13%	233.6	34	24	26	34
CY21E	34,048	10%	7,847	23.0%	6,068	13%	263.8	30	21	25	33



## Key Developments

- In view of the completion of slump sale of the Ankleshwar facility to ZENTIVA on May 29, 2020 the Q2CY20 numbers are not directly comparable with the same period last year. Adjusting for the same, the underlying yoy growth in revenues was at 1%.
- The lower growth in sales was due to the impact of lockdown in some therapy areas.
- Raw material costs -7% to Rs 3160 mn, due to 2 months operations at Ankleshwar.
- Employee costs +8% Rs 1237 mn.
- Other Expenses -31% to Rs 931 mn. Main components selling & distribution, travelling and advertising & sales promotion.
- Cash as on H1CY20 increased to Rs 16887 mn (Rs 11295 mn in CY2019). Of the increase of Rs 5592 mn, Rs 3207 mn came from the ZENTIVA deal with balance from operations.

Particulars (Rs mn)	Q2CY20	Q1CY20	Q2CY19	% yoy	% qoq	H1CY20	H1CY19	% yoy
<b>Net Sales</b>	7105	7845	7479	-5%	-9%	14950	14652	2%
Other Income	292	295	234			587	464	
<b>Total Income</b>	<b>7397</b>	<b>8140</b>	<b>7713</b>	-4%	-9%	<b>15537</b>	<b>15116</b>	3%
Raw Material cost	3160	3402	3412			6562	6491	
<i>% of Sales</i>	<i>44%</i>	<i>43%</i>	<i>46%</i>			<i>44%</i>	<i>44%</i>	
<b>Gross Profit</b>	3945	4443	4067	-3%	-11%	<b>8388</b>	<b>8161</b>	3%
<b>Gross Profit Margin</b>	<b>55.52%</b>	<b>56.63%</b>	<b>54.38%</b>			<b>56.11%</b>	<b>55.70%</b>	
Employee Benefit Expense	1237	1203	1141			2440	2177	
Other Expense	931	1473	1348			2404	2868	
<b>Total Expenses</b>	<b>5328</b>	<b>6078</b>	<b>5901</b>	-10%	-12%	<b>11406</b>	<b>11536</b>	-1%
<b>EBITDA(Excluding other Income)</b>	<b>1777</b>	<b>1767</b>	<b>1578</b>	13%	1%	<b>3544</b>	<b>3116</b>	14%
<b>Margin</b>	<b>25.01%</b>	<b>22.52%</b>	<b>21.10%</b>			<b>23.71%</b>	<b>21.27%</b>	
Depreciation and Amortisation Expens:	205	207	260			412	521	
Finance Cost	5	5	0			10	0	
<b>PBT EXCLUDING EXCEPTIONAL ITEMS</b>	1859	1850	1552	20%	0%	3709	3059	21%
<b>PBT Margin</b>	<b>25.13%</b>	<b>22.73%</b>	<b>20.12%</b>			<b>23.9%</b>	<b>20.2%</b>	
Tax	502	492	578			994	1156	
<i>Tax rate</i>	<i>27%</i>	<i>27%</i>	<i>37%</i>			<i>27%</i>	<i>38%</i>	
<b>PAT BEFORE EXCEPTIONAL ITEMS</b>	<b>1357</b>	<b>1358</b>	<b>974</b>	39%	0%	<b>2715</b>	<b>1903</b>	43%
<b>PAT Margin</b>	<b>18.3%</b>	<b>16.7%</b>	<b>12.6%</b>			<b>17.5%</b>	<b>12.6%</b>	
Exceptional Items (Net of Tax)	11	-504	0			-493		
<b>PAT AFTER EXCEPTIONAL ITEMS</b>	<b>1368</b>	<b>854</b>	<b>974</b>	40%	60%	<b>2222</b>	<b>1903</b>	17%
Equity	230	230	230			230	230	
Face Value	10	10	10			10	10	
Number of shares	23	23	23			23	23	
EPS excluding Exceptional Items	59.0	59.0	42.3			118.0	82.7	
EPS including Exceptional Items	59.5	37.1	42.3			96.6	82.7	

Note: Numbers not strictly comparable due to completion of sale of Ankleshwar plant to ZENTIVA on May 29,2020.



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Sanofi India Limited											
P&L (Rs mn)	CY17	CY18	CY19	CY20E	CY21E	Cash Flow St. (Rs. mn)	CY17	CY18	CY19	CY20E	CY21E
<b>Net Sales</b>	<b>24,914</b>	<b>27,708</b>	<b>30,706</b>	<b>31,041</b>	<b>34,048</b>	Net Profit	3,260	3,806	4,735	5,372	6,068
Raw materials	10,041	11,459	13,474	13,799	14,825	Add: Dep. & Amort.	1,022	1,027	999	885	877
Employee costs	3,685	4,068	4,497	4,191	4,693	<b>Cash profits</b>	<b>4,282</b>	<b>4,833</b>	<b>5,734</b>	<b>6,257</b>	<b>6,945</b>
Other Expenses	5,816	5,946	6,082	5,937	6,682	(Inc)/Dec in					
<b>Cost of sales</b>	<b>19,542</b>	<b>21,473</b>	<b>24,053</b>	<b>23,926</b>	<b>26,201</b>	-Inventories	775	(675)	135	19	(453)
<b>Operating Profit</b>	<b>5,372</b>	<b>6,235</b>	<b>6,653</b>	<b>7,115</b>	<b>7,847</b>	-Trade receivables	(503)	367	(656)	114	(206)
Depreciation	1,022	1,027	999	885	877	-Loans/advances	(1,021)	(956)	555	475	414
<b>PBIT</b>	<b>5,157</b>	<b>6,105</b>	<b>6,595</b>	<b>7,279</b>	<b>8,220</b>	-Other Current Financial					
Other income	807	897	941	1,050	1,250	Assets	171	(30)	21	2	(2)
Interest	11	7	3	20	20	-Current Tax assets	(218)	(49)	(182)	(66)	(69)
<b>Profit before tax</b>	<b>5,146</b>	<b>6,098</b>	<b>6,592</b>	<b>7,259</b>	<b>8,200</b>	-Other Assets	(394)	(112)	(319)	(434)	(564)
Provision for tax	1,886	2,292	1,857	1,887	2,132	-Assets held for sale	-	(39)	39	-	-
<b>Reported PAT</b>	<b>3,260</b>	<b>3,806</b>	<b>4,735</b>	<b>5,372</b>	<b>6,068</b>	-Trade Payables	961	169	251	92	281
<b>Balance Sheet</b>	<b>CY17</b>	<b>CY18</b>	<b>CY19</b>	<b>CY20E</b>	<b>CY21E</b>	-Other Financial Liabilities	(24)	122	(10)	(7)	(7)
Equity capital	230	230	230	230	230	- Employee benefit obligation	40	(106)	297	(163)	161
Reserves	20,034	21,962	24,193	20,123	23,710	-Other liabilities	(219)	(2)	36	12	13
<b>Net worth</b>	<b>20,264</b>	<b>22,192</b>	<b>24,423</b>	<b>20,353</b>	<b>23,940</b>	-Provisions	102	35	98	170	150
Other Non Current Liabilities	-	-	-	-	-	- Liab with asset held for sale	-	9	2	-	-
Deferred Tax Liabilities	1,031	921	446	379	322	-Current tax Liabilities	53	17	175	70	79
Employee Benefit Obligation	465	491	541	503	563	Change in working capital	(277)	(1,250)	442	284	(202)
Total debt	-	-	-	-	-	<b>CF from Oper. activities</b>	<b>4,005</b>	<b>3,583</b>	<b>6,176</b>	<b>6,541</b>	<b>6,743</b>
Provisions	-	-	-	-	-	<b>CF from Inv. activities</b>	<b>(508)</b>	<b>(575)</b>	<b>1,381</b>	<b>(208)</b>	<b>(303)</b>
<b>CAPITAL EMPLOYED</b>	<b>21,760</b>	<b>23,604</b>	<b>25,410</b>	<b>21,235</b>	<b>24,825</b>	<b>CF from Fin. activities</b>	<b>(1,808)</b>	<b>(1,988)</b>	<b>(2,979)</b>	<b>(9,508)</b>	<b>(2,539)</b>
<b>Tangible Assets</b>						<b>Cash generated/(utilised)</b>	<b>1,689</b>	<b>1,020</b>	<b>4,578</b>	<b>(3,175)</b>	<b>3,901</b>
Gross block	6,646	7,264	6,311	6,811	7,311	Cash at start of the year	5,610	7,299	8,319	12,897	9,722
Accumulated depreciation	1,185	1,785	2,784	3,669	4,547	Cash at end of the year	7,299	8,319	12,897	9,722	13,623
<b>Net block</b>	<b>5,461</b>	<b>5,479</b>	<b>3,527</b>	<b>3,142</b>	<b>2,764</b>	<b>Ratios</b>	<b>CY17</b>	<b>CY18</b>	<b>CY19</b>	<b>CY20E</b>	<b>CY21E</b>
<b>Intangible Assets</b>						OPM	22%	23%	22%	23%	23%
Gross block	731	731	731	731	731	NPM	13%	13%	15%	17%	17%
Accumulated depreciation	-	-	-	-	-	Tax rate	37%	38%	28%	26%	26%
<b>Net block</b>	<b>731</b>	<b>731</b>	<b>731</b>	<b>731</b>	<b>731</b>	<b>Growth Ratios (%)</b>					
Capital WIP	244	164	127	127	127	Net Sales	3%	11%	11%	1%	10%
<b>Total fixed assets</b>	<b>6,436</b>	<b>6,374</b>	<b>4,385</b>	<b>4,000</b>	<b>3,622</b>	Operating Profit	0%	16%	7%	7%	10%
Intangible Assets under Development	57	47	47	47	47	PAT	7%	17%	24%	13%	13%
Other Financial Assets	23	53	32	30	32	<b>Per Share (Rs.) *</b>					
Other Non-Current Assets	56	59	39	39	39	<b>Net Earnings (EPS)</b>	<b>141.7</b>	<b>165.5</b>	<b>180.1</b>	<b>233.6</b>	<b>263.8</b>
Loans	4,181	5,129	4,602	4,142	3,728	<b>Cash Earnings (CPS)</b>	<b>317.4</b>	<b>361.7</b>	<b>560.7</b>	<b>422.7</b>	<b>592.3</b>
Non Current Investments	2	2	-	-	-	Dividend	82	86	349	120	130
Other Intangible Assets	1,498	1,118	729	437	241	Book Value	881	965	1,062	885	1,041
Non Current Tax Assets	1,086	1,135	1,317	1,383	1,452	Free Cash Flow	64	237	491	116	476
Asset held for sale	-	39	-	-	-	<b>Valuation Ratios</b>					
<b>Cash &amp; bank</b>	<b>7,299</b>	<b>8,319</b>	<b>12,897</b>	<b>9,722</b>	<b>13,623</b>	<b>P/E(x)</b>	<b>56</b>	<b>48</b>	<b>44</b>	<b>34</b>	<b>30</b>
Inventories	4,156	4,831	4,696	4,677	5,131	P/B(x)	0.2	0.2	0.2	0.3	0.3
Debtors	1,951	1,584	2,240	2,126	2,332	EV/EBIDTA(x)	32	28	25	24	21
loans	35	43	15	-	-	EV/SALES(x)	7	6	5	6	5
Other current Assets	997	1,106	1,445	1,879	2,442	Div. Yield(%)	1	1	4	2	2
Creditors	3,269	3,438	3,689	3,781	4,062	FCF Yield(%)	1%	3%	7%	2%	6%
Other financial Liabilities	137	259	249	242	234	<b>Return Ratios (%)</b>					
Other Current Liabilities	121	119	155	167	181	<b>ROE</b>	<b>16</b>	<b>17</b>	<b>19</b>	<b>26</b>	<b>25</b>
Provision	1,249	1,284	1,382	1,552	1,702	<b>ROCE</b>	<b>24</b>	<b>26</b>	<b>26</b>	<b>34</b>	<b>33</b>
Employee Benefit Obligations	848	716	963	838	939	Equity	230	230	230	230	230
Liab with assets held for sale	-	9	11	11	11	Face Value	10	10	10	10	10
Current tax liabilities	393	410	585	655	734						
<b>Working capital</b>	<b>8,421</b>	<b>9,648</b>	<b>14,259</b>	<b>11,158</b>	<b>15,665</b>						
<b>CAPITAL DEPLOYED</b>	<b>21,760</b>	<b>23,604</b>	<b>25,410</b>	<b>21,235</b>	<b>24,825</b>						



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