



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Charulata Gaidhani 022 67141446

Q3CY20 Result Update @ Dalal & Broacha

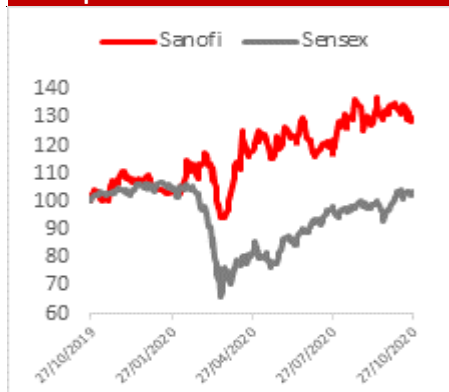
BUY

Current Price	8005
Target Price	9187
Upside	15%
52 Week Range	5900/8999

Key Share Data

Market Cap (Rs.bn)	190
Market Cap (US\$ mn)	2567
No of o/s shares (mn)	23
Face Value	10
Monthly Avg. vol (BSE+NSE) Nos'000	21
BSE Code	500674
NSE Code	SANOFI
Bloomberg	SANL:IN

Price performance



% Shareholding	Sep-20	Jun-20
Promoters	60.40	60.40
FII	12.42	12.47
DII	16.15	16.13
Others	11.03	11.00
Total	100.0	100.0

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	33	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	26	19	26
CY20E	31,041	1%	7,115	22.9%	5,372	13%	233.6	34	25	26	34
CY21E	34,048	10%	7,847	23.0%	6,068	13%	263.8	30	22	25	33

Sanofi India Q3CY20 results were better than estimates. The sequential margin improvement was largely due to higher contribution of domestic sales. The recent key appointments on board and India earmarked as a high potential country implies strategic changes going forward.

- **Sales** -12% yoy/-3% qoq Rs 6866 mn, 2% higher than our estimate of Rs 6752 mn.
- Gross margin improved 250 bps yoy/ 360 bps qoq, the highest in the last 9 quarters.
- EBITDA grew 10% yoy/ 8% qoq to Rs.1922 million. EBITDA margins were at 28% the highest in the last 11 quarters.
- PBT +8% yoy/flat qoq to Rs 1861 million. PBT margin was at 27.1% the highest in the last 11 quarters.
- During Q3CY2019 Sanofi India utilized tax credit of rupees to 71 million leading to lower taxes at Rs 61 million. Sanofi India also took an impairment of Rs 394 million towards the Ankleshwar plant as an exceptional expense.
- PAT was 20% lower at Rs.1331 million.

Profitability improves after closure of exports to ZENTIVA

Sanofi India has fared better than the industry in Q3CY20. With a larger contribution of domestic sales, the EBITDA margins increased +540 bps yoy/ +300 bps qoq to 28%.

Outlook & Valuation

At Rs 8005, Sanofi trades at 30x CY21E EPS of Rs 263.

We maintain our BUY rating on the stock.



Appointment of Additional Directors & CFO

- **Mr. Marc-Antoine Lucchini** is a French national who has over 30 years of experience in the pharmaceutical industry. He has been successfully operating in Pharma Operations in France and the United States in more strategic roles. In 2020, he was appointed Head of the International Region, representing 68 countries with sales of Euro 4.3 billion with a direct reporting of **10 high potential countries of the region amongst which India is a key one.**
- **Mr. Rahul Bhatnagar** is a Chartered Accountant and MBA from Wharton. He has had a long career in Finance and Strategy with reputed organizations like Nestle, Pepsi and Bharti Group. Mr. Bhatnagar last served as the Managing Director and Chief Financial Officer at Bharti Enterprises Limited until 2016. He is an Independent Director on the board of Whirlpool India Limited and Akzo Nobel India Limited. He has previously served as a Director of Comviva Technologies Limited, Bharti Enterprises Limited and Bharti AXA Life and General Insurance Company Limited.
- **Mr Vaibhav Karandikar (Chief Financial Officer) is a Chartered Accountant, Cost Accountant and Company Secretary with 25 years experience in varied aspects of Finance.** He worked as Head of Controlling for the General Medicines Business (including Consumer Healthcare). In this role, he also supported the Global Support Function activities, Intra-Group Export and Intra-Group services. During his time at Sanofi, he has been part of several key assignments/projects including mergers, acquisitions, divestures as well as GST transition.



Particulars (Rs mn)	Q3CY20	Q2CY20	Q3CY19	% yoy	% qoq	9MCMY20	9MCMY19	% yoy
Net Sales	6866	7105	7791	-12%	-3%	21816	22443	-3%
Other Income	149	292	229			736	693	
Total Income	7015	7397	8020	-13%	-5%	22552	23136	-3%
Raw Material cost	2809	3160	3380			9371	9871	
<i>% of Sales</i>	<i>41%</i>	<i>44%</i>	<i>43%</i>			<i>43%</i>	<i>44%</i>	
Gross Profit	4057	3945	4411	-8%	3%	12445	12572	-1%
Gross Profit Margin	59.09%	55.52%	56.62%			57.05%	56.02%	
Employee Benefit Expense	1096	1237	1170			3536	3347	
Other Expense	1039	931	1486			3443	4354	
Total Expenses	4944	5328	6036	-18%	-7%	16350	17572	-7%
EBITDA(Excluding other Income)	1922	1777	1755	10%	8%	5466	4871	12%
Margin	27.99%	25.01%	22.53%			25.06%	21.70%	
Depreciation and Amortisation Expen:	206	205	263			618	784	
Finance Cost	4	5	0			14	0	
PBT EXCLUDING EXCEPTIONAL ITEMS	1861	1859	1721	8%	0%	5570	4780	17%
PBT Margin	26.53%	25.13%	21.46%			24.7%	20.7%	
Tax	530	502	61			1524	1217	
<i>Tax rate</i>	<i>28%</i>	<i>27%</i>	<i>4%</i>			<i>27%</i>	<i>25%</i>	
PAT BEFORE EXCEPTIONAL ITEMS	1331	1357	1660	-20%	-2%	4046	3563	14%
PAT Margin	19.0%	18.3%	20.7%			17.9%	15.4%	
Exceptional Items (Net of Tax)	-2	11	-394			-495	-394	
PAT AFTER EXCEPTIONAL ITEMS	1329	1368	1266	5%	-3%	3551	3169	12%
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	57.9	59.0	72.2			175.9	154.9	
EPS including Exceptional Items	57.8	59.5	55.0			154.4	137.8	

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



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