

### Adjusted Sales growth better than market, EBITDA margins +160 bps

- Sales came in at Rs 7203 mn -13% yoy/+5% qoq, 8% lower than our estimate. The numbers are not comparable as Q4CY19 includes exports to Zentiva (approximately Rs 1100 mn per quarter).
- Adjusted sales growth at 9%, better than IPM growth of 6%.**
- EBITDA came in at Rs 1670 mn -6% yoy/-13% qoq
- EBITDA margins at 23.2%, +160 bps yoy/-480 bps qoq
- PAT came in at Rs 1132 mn, -2% yoy.
- EPS for the quarter came in at Rs 53.4.

### For CY2020

- Sales came in at Rs 29019 mn, -5%.
- EBITDA came in at Rs 7161 mn, +8%.
- EBITDA margins 24.7%, highest in the last 7 years.**
- For CY20, Sanofi has reported an improvement in profitability which was expected post the termination of contract with Zentiva and the sale of its Ankleshwar plant.
- PBT +10% Rs 7219 mn
- PAT after exceptional Rs 4806 mn.
- Exceptional item Rs 417 mn includes impairment and other incidental expenses like IT costs, legal & professional fees and taxes related to Zentiva.
- EPS for CY2020 was at Rs 209.

### Key Highlights

- The company has declared a Final dividend of Rs 125 per share, and special dividend of Rs 240/share in view of the sale of its Ankleshwar plant. Cash post dividend outgo of Rs 8395 mn will be at Rs 3691 mn, around Rs 160 per share.
- Total Expenses in Q4CY20 were lower 15%, Employee costs -7% Rs 1072 mn, Other expenses -25% Rs 1301 mn (in view of sale of Ankleshwar plant, with ~600 employees)
- Depreciation -5% Rs 204 mn, interest Rs 4 mn, PBT -10% Rs 1064 mn.

Y/E Mar (Rs mn)	CY18	CY19	CY20	CY21E	CY22E
Net sales	27,708	30,706	29,019	31,223	33,541
Adjusted net profit	3,806	4,142	4,806	6,078	6,853
Free cash flow	5442	11298	2710	11080	12586
EPS (Rs)	165.5	180.1	209.0	264.3	297.9
growth (%)	17%	24%	10%	16%	13%
P/E (x)	48	44	38	30	27
P/B (x)	0	0	0	0	0
EV/EBITDA (x)	28	26	24	21	19
D/E	0	0	0	0	0
RoIC (%)	27	36	53	64	76
RoE (%)	17	19	25	24	23
Dividend yield (%)	1	4	5	1	1

Source: Company

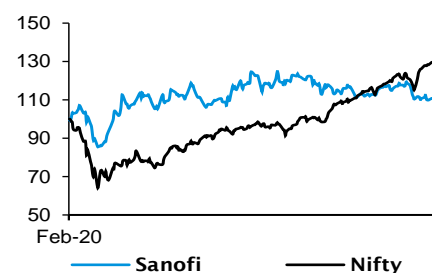
Rating	TP (Rs)	Up/Dn (%)
<b>BUY</b>	<b>9000</b>	<b>10</b>

### Market data

<b>Current price</b>	<b>Rs</b>	<b>8,156</b>
Market Cap (Rs.Bn)	(Rs Bn)	188
Market Cap (US\$ Mn)	(US\$ Mn)	2595
Face Value	Rs	10
52 Weeks High/Low	Rs	8999/5900
Daily Average Volume	('000)	16
BSE Code		500674
Bloomberg		SANL:IN

Source: Bloomberg

### One Year Performance



Source: Bloomberg

% Shareholding	Dec-20	Sep-20
Promoters	60.40	60.40
Public	39.60	39.60
Others	0.00	0.00
<b>Total</b>	<b>100</b>	<b>100</b>

Source: BSE

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# Quarterly Performance Analysis

## Exhibit 1

Particulars (Rs mn)	Q4CY20	Q3CY20	Q4CY19	% yoy	% qoq	CY2020	CY2019	% yoy
<b>Net Sales</b>	7203	6866	8263	-13%	5%	29019	30706	-5%
Other Income	162	149	248			898	941	
<b>Total Income</b>	<b>7365</b>	<b>7015</b>	<b>8511</b>	<b>-13%</b>	<b>5%</b>	<b>29917</b>	<b>31647</b>	<b>-5%</b>
Raw Material cost	3160	2809	3603			12506	13474	
<b>Gross Profit</b>	<b>4043</b>	<b>4057</b>	<b>4660</b>	<b>-13%</b>	<b>0%</b>	<b>16513</b>	<b>17232</b>	<b>-4%</b>
Employee Benefit Expense	1072	1096	1150			4608	4497	
Other Expense	1301	1039	1728			4744	6082	
<b>Total Expenses</b>	<b>5533</b>	<b>4944</b>	<b>6481</b>	<b>-15%</b>	<b>12%</b>	<b>21858</b>	<b>24053</b>	<b>-9%</b>
<b>EBITDA(Excluding other Income)</b>	<b>1670</b>	<b>1922</b>	<b>1782</b>	<b>-6%</b>	<b>-13%</b>	<b>7161</b>	<b>6653</b>	<b>8%</b>
Depreciation and Amortisation Expense	204	206	215			822	999	
Finance Cost	4	4	3			18	3	
<b>PBT EXCLUDING EXCEPTIONAL ITEMS</b>	<b>1624</b>	<b>1861</b>	<b>1812</b>	<b>-10%</b>	<b>-13%</b>	<b>7219</b>	<b>6592</b>	<b>10%</b>
Tax	472	530	640			1996	1857	
Tax rate	29%	28%	35%			28%	28%	
<b>PAT BEFORE EXCEPTIONAL ITEMS</b>	<b>1152</b>	<b>1331</b>	<b>1172</b>	<b>-2%</b>	<b>-13%</b>	<b>5223</b>	<b>4735</b>	<b>10%</b>
Exceptional Items (Net of Tax)	78	-2	-199			-417	-593	
<b>PAT AFTER EXCEPTIONAL ITEMS</b>	<b>1230</b>	<b>1329</b>	<b>973</b>	<b>26%</b>	<b>-7%</b>	<b>4806</b>	<b>4142</b>	<b>16%</b>
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	50.1	57.9	51.0			227.1	205.9	
EPS including Exceptional Items	53.5	57.8	42.3			209.0	180.1	

**Adjusted 9% sales growth better than IPM**

**Lower expenses due to completion of Zentiva deal, with transfer of 600 employees and Ankleshwar plant.**

**Lower depreciation post transfer of Ankleshwar plant.**

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

Cost Analysis	Q4CY20	Q3CY20	Q4CY19	% yoy	% qoq	CY2020	CY2019	% yoy
Raw Materials	43.9	40.9	43.6			43.1	43.9	
Employee	14.9	16.0	13.9			15.9	14.6	
Other expenses	18.1	15.1	20.9			16.3	19.8	
% profitability	Q4CY20	Q3CY20	Q4CY19	% yoy	% qoq	CY2020	CY2019	% yoy
Gross margin	56.1	59.1	56.4	-27	-296	56.9	56.1	78
EBITDA (ex OI) margin	23.2	28.0	21.6	162	-481	24.7	21.7	301
EBITDA (incl. OI) margin	24.9	29.5	23.9	102	-465	26.9	24.0	294
PBT margin	22.1	26.5	21.3	76	-448	24.1	20.8	330
Adj. PAT margin	16.7	18.9	11.4	527	-224	16.1	13.1	298

Source: Dalal & Broacha Research, Company

## Outlook

CY20 has seen the closure of Sanofi India's deal with Zentiva along with the Ankleshwar plant and termination of its 5-year generics manufacturing contract which was up to 2023. Post the elimination of exports to Zentiva, Sanofi India has seen a significant improvement in profitability.

At Rs 8150, Sanofi India trades at 27x CY22E EPS of Rs 297. We have valued Sanofi India as a weighted average of 31x P/E (65%) and 21x EV/EBITDA (35%) and arrived at a target price of Rs 9000 per share.

**We maintain BUY.**

## Financial

P&L (Rs mn)	CY18	CY19	CY20	CY21E	CY22E	Cash Flow St. (Rs. mn)	CY18	CY19	CY20	CY21E	CY22E
Net Sales	27,708	30,706	29,019	31,223	33,541	Net Profit	3,806	4,735	5,223	6,078	6,853
Raw materials	11,459	13,474	12,506	13,114	13,919	Add: Dep. & Amort.	1,027	999	822	841	859
Employee costs	4,068	4,497	4,608	4,838	5,080	<b>Cash profits</b>	<b>4,833</b>	<b>5,734</b>	<b>6,045</b>	<b>6,919</b>	<b>7,712</b>
Other Expenses	5,946	6,082	4,744	5,218	5,740	(Inc)/Dec in					
Cost of sales	21,473	24,053	21,858	23,171	24,740	-Inventories	(675)	135	1,016	(1,025)	(349)
						-Trade receivables	367	(656)	760	(659)	(159)
						-Loans/advances	(956)	555	(19)	458	412
<b>Operating Profit</b>	<b>6,235</b>	<b>6,653</b>	<b>7,161</b>	<b>8,053</b>	<b>8,801</b>	-Other Current Financial Assets	(30)	21	(281)	(6)	(6)
Depreciation	1,027	999	822	841	859	-Current Tax assets	(49)	(182)	(139)	(73)	(76)
<b>PBIT</b>	<b>6,105</b>	<b>6,595</b>	<b>7,237</b>	<b>8,462</b>	<b>9,538</b>	-Trade Payables	169	251	(506)	410	221
Other income	897	941	898	1,250	1,596	-other Financial Liabilities	122	(10)	77	(183)	7
Interest	7	3	18	20	20	-Employee benefit obligation	(106)	297	134	(90)	77
						-Provisions	35	98	103	76	116
<b>Profit before tax</b>	<b>6,098</b>	<b>6,592</b>	<b>7,219</b>	<b>8,442</b>	<b>9,518</b>	-Current tax Liabilities	17	175	316	108	101
Provision for tax	2,292	1,857	1,996	2,364	2,665	Change in working capital	(1,250)	442	2,146	(1,178)	122
<b>Reported PAT</b>	<b>3,806</b>	<b>4,735</b>	<b>5,223</b>	<b>6,078</b>	<b>6,853</b>	<b>CF from Oper. activities</b>	<b>3,583</b>	<b>6,176</b>	<b>8,191</b>	<b>5,740</b>	<b>7,834</b>
Exceptional Items	-	(593)	(417)	-	-	<b>CF from Inv. activities</b>	<b>(575)</b>	<b>1,381</b>	<b>191</b>	<b>(651)</b>	<b>(405)</b>
<b>Adjusted PAT</b>	<b>3,806</b>	<b>4,142</b>	<b>4,806</b>	<b>6,078</b>	<b>6,853</b>	<b>CF from Fin. activities</b>	<b>(1,988)</b>	<b>(2,979)</b>	<b>(8,600)</b>	<b>(2,345)</b>	<b>(2,339)</b>
						<b>Cash generated/(utilised)</b>	<b>1,020</b>	<b>4,578</b>	<b>(218)</b>	<b>2,744</b>	<b>5,090</b>
						Cash at start of the year	7,299	8,319	12,897	12,086	15,423
						Cash at end of the year	8,319	12,897	12,679	14,830	20,513
Balance Sheet	CY18	CY19	CY20	CY21E	CY22E	Ratios	CY18	CY19	CY20	CY21E	CY22E
Equity capital	230	230	230	230	230	OPM	23%	22%	25%	26%	26%
Reserves	21,962	24,193	20,960	24,738	29,291	NPM	13%	15%	17%	19%	20%
<b>Net worth</b>	<b>22,192</b>	<b>24,423</b>	<b>21,190</b>	<b>24,968</b>	<b>29,521</b>	Tax rate	38%	28%	28%	28%	28%
Deferred Tax Liabilities	921	446	302	257	218	<b>Growth Ratios (%)</b>					
Employee Benefit Obligation	491	541	646	581	610	Net Sales	11%	11%	-5%	8%	7%
<b>CAPITAL EMPLOYED</b>	<b>23,604</b>	<b>25,410</b>	<b>22,138</b>	<b>25,805</b>	<b>30,349</b>	Operating Profit	16%	7%	8%	12%	9%
						PAT	17%	24%	10%	16%	13%
Gross block - Tangibles	7,264	6,311	6,811	7,311	7,811	<b>Per Share (Rs.) *</b>					
Accumulated depreciation	1,785	2,784	3,606	4,447	5,306	<b>Net Earnings (EPS)</b>	<b>165.5</b>	<b>180.1</b>	<b>209.0</b>	<b>264.3</b>	<b>297.9</b>
<b>Net block - Tangibles</b>	<b>5,479</b>	<b>3,527</b>	<b>3,205</b>	<b>2,864</b>	<b>2,505</b>	<b>Cash Earnings (CPS)</b>	<b>361.7</b>	<b>560.7</b>	<b>525.5</b>	<b>670.6</b>	<b>891.9</b>
Gross block - Intangibles	731	731	731	731	731	Dividend	86	349	365	100	100
						Book Value	965	1,062	921	1,086	1,284
<b>Net block - Intangibles</b>	<b>731</b>	<b>731</b>	<b>731</b>	<b>731</b>	<b>731</b>	Free Cash Flow	237	491	118	482	547
Capital WIP	164	127	63	127	127	<b>Valuation Ratios</b>					
<b>Total fixed assets</b>	<b>6,374</b>	<b>4,385</b>	<b>3,999</b>	<b>3,722</b>	<b>3,363</b>	P/E(x)	<b>48</b>	<b>44</b>	<b>38</b>	<b>30</b>	<b>27</b>
						P/B(x)	0.2	0.2	0.2	0.2	0.2
Intangible Assets under Devt	47	47	37	47	47	EV/EBIDTA(x)	28	26	24	21	19
Other Financial Assets	53	32	32	32	32	EV/SALES(x)	6	6	6	5	5
Other Non-Current Assets	59	39	44	39	39	Div. Yield(%)	1	4	5	1	1
Loans	5,129	4,602	4,579	4,121	3,709	FCF Yield(%)	3%	7%	2%	6%	7%
Non Current Investments	2	-	-	-	-	<b>Return Ratios (%)</b>					
Other Intangible Assets	1,118	729	344	189	95	ROE	17	19	25	24	23
Non Current Tax Assets	1,135	1,317	1,456	1,529	1,605	ROCE	26	26	32	33	31
Asset held for sale	39	-	41	41	-	ROIC	27	36	53	64	76
<b>Cash &amp; bank</b>	<b>8,319</b>	<b>12,897</b>	<b>12,086</b>	<b>15,423</b>	<b>20,513</b>						
Inventories	4,831	4,696	3,680	4,705	5,054	Equity	230	230	230	230	230
Debtors	1,584	2,240	1,480	2,139	2,297	Face Value	10	10	10	10	10
loans	43	15	57	57	57						
Other current Assets	1,106	1,445	708	920	1,197						
Creditors	3,438	3,689	3,183	3,593	3,814						
Other financial Liabilities	259	249	147	143	150						
Other Current Liabilities	119	155	149	161	174						
Provision	1,284	1,382	1,485	1,561	1,677						
Employee Benefit Obligations	716	963	992	968	1,016						
Liab with assets held for sale	9	11	11	11	11						
Current tax liabilities	410	585	901	1,009	1,110						
<b>Working capital</b>	<b>9,648</b>	<b>14,259</b>	<b>11,424</b>	<b>16,086</b>	<b>21,459</b>						
<b>CAPITAL DEPLOYED</b>	<b>23,604</b>	<b>25,410</b>	<b>22,317</b>	<b>25,805</b>	<b>30,349</b>						

Source: Dalal &amp; Broacha Research, Company

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