

## Domestic business (ex-divestment) grows at 13% in CY21

**About the stock:** Sanofi offers drugs in therapies like diabetes (insulins & orals), cardiology, thrombosis, anti-infective, CNS, allergy, vitamins, minerals & supplements.

- Lantus, Allegra & Combiflam are in Top 100 pharmaceutical brands in India
- Sanofi is one of the fastest growing companies in India in anti-diabetic therapy

**Q4CY21 Results:** Sanofi India reported muted numbers this quarter. However, domestic business (ex-divestment) has grown 13% YoY in CY21.

- Revenues were down 4.5% YoY to ₹ 687.9 crore
- EBITDA was at ₹ 127.2 crore, down 23.8% YoY with margins at 18.5%
- Consequent adjusted PAT was at ₹ 90.4 crore (down 21.5% YoY)

**What should investors do?** Sanofi's share price has grown by ~1.7x over the past five years (from ~₹ 4161 in February 2017 to ~₹ 7184 in February 2022).

- Retain BUY rating on the stock due to strong chronic (anti-diabetic in particular) franchise and downsized portfolio to focus on margins

**Target Price and Valuation:** Valued at ₹ 8965 i.e. 30x P/E on FY24E EPS on ₹ 298.9

### Key triggers for future price performance:

- Focus on leveraging high margin portfolio through divestiture of lower margin product basket
- Strong balance sheet, good dividend payout track record and comfort on corporate governance
- Consistent performer in anti-diabetic and cardiac along with increasing contribution from respiratory, analgesics and gastro-intestinal therapies
- Future launches from its global staple along with brand extensions
- Access to innovative molecules from parent like anti-diabetic drug Toujeo

**Alternate Stock Idea:** Apart from Sanofi, among MNC coverage we like Abbott.

- Abbott India is one of the fastest growing listed MNC pharma companies in women's health, GI, metabolic, pain, CNS among others. We continue to believe in Abbott's strong growth track in power brands and capability in new launches on a fairly consistent basis
- BUY with target price of ₹ 19840

### Key Financial Summary

Key Financials (₹ Crore)	CY19	CY20	CY21	5 year CAGR (CY16-21)	CY22E	CY23E	2 year CAGR (CY21-23E)
Revenues	3070.6	2901.9	2956.6	4.6	3059.7	3343.8	6.3
EBITDA	665.3	713.1	762.5	7.3	812.1	903.3	8.8
EBITDA margins (%)	21.7	24.6	25.8		26.5	27.0	
Net Profit	414.2	477.6	944.4	25.4	719.4	688.3	-14.6
EPS (₹)	205.6	225.5	250.6		267.8	298.9	
PE (x)	39.9	34.6	17.5		23.0	24.0	
EV to EBITDA (x)	23.2	21.5	19.7		19.0	16.7	
RoCE (%)	26.0	32.3	33.3		43.1	40.8	
ROE (%)	19.4	24.5	25.9		34.0	32.0	

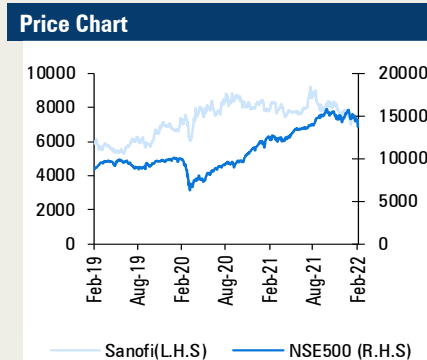
Source: Company, ICICI Direct Research

BUY



Particulars	Amount
Market Capitalisation	₹ 16743 crore
Debt (CY20)	₹ 0 crore
Cash (CY20)	₹ 1550 crore
EV	₹ 15193 crore
52 week H/L	9300/6949
Equity capital	₹ 23.0 crore
Face value	₹ 10

Shareholding pattern					
(in %)	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Promoter	60.4	60.4	60.4	60.4	60.4
Others	39.6	39.6	39.6	39.6	39.6



- ### Recent Event & Key risks
- Sale of Soframycin and Sofradex brands
  - **Key Risk:** (i) Addition of products under price control (ii) Higher therapy concentration

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## Key takeaways of recent quarter

### Q4CY21 Results: Numbers impacted by divestments

- Sanofi's Q4CY21 revenues declined 4.5% YoY whereas EBITDA margins declined 469 bps YoY to 18.5% due to higher other expenditure. Subsequently, EBITDA de-grew 23.8% YoY to ₹ 127.2 crore. Adjusted PAT declined 21.5% YoY to ₹ 90.4 crore
- Domestic business posted 13% growth in CY21 (ex-divestment business). According to IQVIA MAT December, 2021, Sanofi's top five brands (Lantus, Allegra, Combiflam, Amaryl M and Clexane) posted YoY growth of 11.6%
- Sanofi India has restructured its business in recent times through, 1) transfer of Soframycin and Sofradex brands, 2) divestment of nutraceuticals business and 3) sale of its Ankleshwar site. Sanofi remains a compelling MNC play on back of its strong anti-diabetic franchise among peers, which constitutes ~35% of the turnover, strong growth track in top brands, measured new launches besides a strong balance sheet position
- Sanofi declared a final dividend of ₹ 181 and special dividend of ₹ 309 for CY21. In total, declared dividend was ₹ 490 per equity share

### Exhibit 1: Power brands

Brand	Therapy	Dec-18	Dec-19	Dec-20	Dec-21	GAGR 18-21
LANTUS	ANTI DIABETIC	426.4	490.7	587.7	648.1	15.0%
ALLEGRA	RESPIRATORY	170.8	187.3	189.1	208.4	6.9%
COMBIFLAM	PAIN / ANALGESICS	146.9	169.6	182.9	200.0	10.8%
AMARYL M	ANTI DIABETIC	140.8	150.0	161.4	166.7	5.8%
CLEXANE	CARDIAC	98.0	111.6	123.1	164.9	19.0%
Top 5 brands		982.8	1109.2	1244.2	1388.1	12.2%
% of IQVIA sales		38.9%	39.9%	42.0%	42.3%	

Source: IQVIA, MAT TSA Values (in ₹ crore)

### Exhibit 2: Therapeutic break-up

Therapy	Dec-18	Dec-19	Dec-20	Dec-21	GAGR 18-21
ANTI DIABETIC	800.3	896.5	1034.1	1136.4	12.4%
CARDIAC	376.0	404.7	448.5	497.4	9.8%
RESPIRATORY	265.5	295.6	322.9	370.1	11.7%
VACCINES	317.1	334.9	300.6	305.2	-1.3%
GASTRO INTESTINAL	168.2	194.6	205.4	257.4	15.2%
PAIN / ANALGESICS	188.1	212.5	224.5	249.4	9.9%
NEURO / CNS	194.8	201.2	204.7	207.1	2.1%
ANTI-INFECTIVES	124.1	140.8	108.3	129.9	1.5%
DERMA	47.5	49.5	52.0	55.6	5.3%
VITAMINS/MINERALS/NUTRIENTS	38.4	42.6	47.7	54.4	12.4%
Top Therapies	2519.9	2772.9	2948.9	3262.9	9.0%
Total IQVIA Sales	2527.5	2782.2	2960.9	3280.7	9.1%

Source: IQVIA, MAT TSA Values (in ₹ crore)

### Exhibit 3: Financial summary

	Revenues (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoE (%)	RoCE (%)
CY20	2902	-5.5	225.5	9.7	34.6	21.5	24.5	32.3
CY21	2957	1.9	250.6	11.1	17.5	19.7	25.9	33.3
CY22E	3060	3.5	267.8	6.9	23.0	19.0	34.0	43.1
CY23E	3344	9.3	298.9	11.6	24.0	16.7	32.0	40.8

Source: ICICI Direct Research

Exhibit 4: ICICI Direct Healthcare Coverage Universe

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
<b>Hospitals</b>																					
Apollo Hospitals	APOHOS	4382	5,480	Buy	63006	7.9	66.6	80.7	104.4	557.5	65.8	54.3	42.0	6.3	16.3	18.1	20.6	2.5	17.3	18.0	19.7
Narayana Hrudalaya	NARHRU	630	765	Buy	12884	-0.7	-0.7	19.9	22.6	NA	NA	31.6	27.9	1.2	1.2	22.3	21.3	-1.3	-1.3	22.1	20.2
Shalby	SHALIM	113	170	Buy	1223	3.9	3.9	5.8	7.3	28.9	28.9	19.5	15.6	6.5	6.5	9.6	10.6	5.1	5.1	6.7	7.9
Aster DM	ASTDM	171	250	Buy	8547	3.0	3.0	17.5	NA	57.8	57.8	9.8	NA	5.4	9.2	12.8	NA	4.4	13.5	18.4	NA
Healthcare Global	HEAGLO	228	240	Hold	2860	-21.7	9.9	12.4	NA	NA	23.2	18.4	NA	-0.9	7.7	10.4	NA	NA	NA	10.7	NA
<b>MNC Pharma</b>																					
Abbott India	ABBIND	16780	19,840	Buy	35656	325.0	370.4	429.0	496.0	51.6	45.3	39.1	33.8	33.8	35.7	34.4	33.4	26.5	28.1	26.8	25.8
P&G Health	MERLIM	4541	5,365	Hold	7538	106.5	110.9	119.1	134.1	42.6	41.0	38.1	33.9	32.2	35.5	33.3	32.6	25.1	27.4	25.5	24.9
Sanofi India	SANOFI	7184	8,965	Buy	16545	207.4	410.1	312.4	298.9	34.6	17.5	23.0	24.0	32.3	33.3	43.1	40.8	24.5	25.9	34.0	32.0
Pfizer	PFIZER	4215	5,350	Buy	19282	108.8	135.2	133.0	148.6	38.8	31.2	31.7	28.4	27.6	27.4	23.6	22.9	20.8	21.7	18.6	18.1
<b>Pharma</b>																					
Ajanta Pharma	AJAPHA	1751	2,605	Buy	15155	74.0	86.1	86.7	100.1	23.7	20.3	20.2	17.5	29.0	27.2	23.7	23.5	21.8	22.5	19.4	19.2
Alembic Pharma	ALEMPHA	700	770	Hold	13764	59.9	34.4	34.9	38.6	11.7	20.4	20.1	18.1	24.2	12.3	12.3	12.6	23.0	12.1	11.2	11.4
Aurobindo Pharma	AURPHA	606	765	Hold	35508	55.0	55.0	55.6	63.6	11.0	11.0	10.9	9.5	16.9	16.9	14.7	15.6	14.7	14.7	11.8	12.0
Biocon	BIOCON	373	410	Hold	44794	6.1	6.1	9.5	13.7	61.3	61.3	39.4	27.1	7.6	7.6	10.2	13.0	9.6	9.6	12.3	15.4
Cadila Healthcare	CADHEA	344	475	Hold	35232	21.5	21.5	21.8	24.8	16.0	16.0	15.8	13.9	12.6	12.6	13.4	14.3	16.9	16.9	13.7	13.9
Cipla	CIPLA	895	1,100	Buy	72192	29.9	29.9	40.3	44.6	30.0	30.0	22.2	20.1	16.3	16.3	18.3	18.3	13.1	13.1	14.0	13.9
Dr Reddy's Labs	DRREDD	4094	5,160	Buy	68139	117.3	117.3	192.9	238.4	34.9	34.9	21.2	17.2	13.1	13.1	18.8	22.8	11.1	11.1	14.1	15.2
Glenmark Pharma	GLEPHA	428	550	Hold	12063	32.9	44.2	44.2	49.1	13.0	9.7	9.7	8.7	13.9	15.5	15.2	15.4	13.1	13.1	11.7	11.6
Ipsca Laboratories	IPCLAB	935	1,175	Buy	23725	44.9	44.9	42.9	48.9	20.8	20.8	21.8	19.1	27.1	27.1	19.3	18.6	24.2	24.2	16.3	15.7
Jubilant Pharmova	JUBLIF	401	490	Hold	6385	37.4	28.7	32.5	40.8	10.7	14.0	12.3	9.8	13.7	10.1	10.4	12.2	12.6	8.9	9.2	10.4
Lupin	LUPIN	714	960	Hold	32418	26.9	26.9	30.2	40.0	26.6	26.6	23.6	17.8	9.1	9.1	10.5	12.8	8.8	8.8	9.6	11.4
Natco Pharma	NATPHA	767	955	Hold	13982	24.2	24.2	19.6	23.1	31.7	31.7	39.2	33.2	13.1	13.1	9.7	10.7	10.7	10.7	7.8	8.5
Sun Pharma	SUNPHA	818	1,075	Buy	196314	30.0	30.0	33.6	38.3	27.2	27.2	24.4	21.4	14.2	14.2	16.9	17.0	15.5	15.5	13.6	13.6
Torrent Pharma	TORPHA	2720	3,235	Hold	46029	74.0	74.0	95.6	115.5	36.8	36.8	28.5	23.6	17.7	17.7	21.2	23.5	21.4	21.4	20.3	20.7
Indoco Remedies	INDREM	381	510	Buy	3509	10.1	10.1	23.3	28.3	37.7	37.7	16.4	13.4	11.7	11.7	21.5	26.3	12.1	12.1	19.8	20.0
Caplin Point	CAPPOI	662	1,010	Buy	5014	81.7	76.7	55.5	60.4	8.1	8.6	11.9	11.0	25.6	24.1	23.5	0.0	20.4	20.5	18.8	18.3
Advanced Enzymes	ADVENZ	262	380	Buy	2930	13.1	11.3	13.6	15.8	20.0	23.3	19.3	16.6	19.4	15.4	16.7	17.2	15.1	11.6	12.4	12.7
Hester Biosciences	HESPHA	2210	2,780	Hold	1880	44.4	47.2	52.0	71.4	49.8	46.9	42.5	31.0	16.2	12.8	14.3	17.3	16.5	15.5	15.1	17.8
<b>API/CRAMS</b>																					
Divi's Lab	DIVLAB	3940	5,335	Buy	104600	74.7	74.7	108.9	127.1	52.7	52.7	36.2	31.0	27.6	27.6	27.6	27.5	21.3	21.3	21.7	21.6
Hikal	HIKCHE	359	500	Buy	4420	10.8	10.8	17.1	22.6	33.2	33.2	20.9	15.8	15.1	15.1	16.0	19.1	14.3	14.3	16.8	18.8
Syngene Int.	SYNINT	533	710	Buy	21374	10.1	10.1	13.1	17.8	52.7	52.7	40.7	30.0	11.5	11.5	14.9	17.9	13.5	13.5	14.2	16.2
Granules India	GRANUL	269	360	Buy	6659	22.2	16.2	19.4	25.8	12.1	16.6	13.8	10.4	24.0	16.2	17.4	20.2	25.3	15.8	16.1	17.8
Laurus Labs	LAULAB	501	625	Buy	26898	18.3	15.1	20.7	26.1	27.3	33.2	24.1	19.2	31.7	21.3	24.3	26.2	37.9	24.3	25.7	25.1
Suven Pharmaceuticals	SUVPH	517	555	Hold	13151	14.2	18.3	17.7	19.8	36.3	28.3	29.2	26.1	31.2	35.0	28.7	26.6	30.7	29.6	23.2	21.3

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 5: Profit and loss statement		₹ crore			
(Year-end December)	CY20	CY21	CY22E	CY23E	
Total Operating Income	2,901.9	2,956.6	3,059.7	3,343.8	
Growth (%)	-5.5	1.9	3.5	9.3	
Raw Material Expenses	1,253.6	1,306.8	1,342.3	1,441.7	
Gross Profit	1,648.3	1,649.8	1,717.4	1,902.1	
Gross Profit Margins (%)	56.8	55.8	56.1	56.9	
Employee Expenses	460.8	433.9	446.4	484.8	
Other Expenditure	474.4	453.4	459.0	513.9	
Total Operating Expenditure	2,188.8	2,194.1	2,247.6	2,440.5	
<b>EBITDA</b>	<b>713.1</b>	<b>762.5</b>	<b>812.1</b>	<b>903.3</b>	
Growth (%)	7.2	6.9	6.5	11.2	
Interest	1.8	1.8	1.8	1.8	
Depreciation	82.2	66.7	49.2	50.7	
Other Income	89.8	74.4	61.2	66.9	
<b>PBT before Exceptional Items</b>	<b>718.9</b>	<b>768.4</b>	<b>822.3</b>	<b>917.7</b>	
Less: Exceptional Items	41.7	-489.2	-136.9	0.0	
PBT after Exceptional Items	677.2	1,257.6	959.2	917.7	
Total Tax	199.6	313.2	239.8	229.4	
PAT	477.6	944.4	719.4	688.3	
<b>Adjusted PAT</b>	<b>519.3</b>	<b>577.0</b>	<b>616.7</b>	<b>688.3</b>	
Growth (%)	9.7	11.1	6.9	11.6	
<b>EPS (Adjusted)</b>	<b>225.5</b>	<b>250.6</b>	<b>267.8</b>	<b>298.9</b>	

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement		₹ crore			
(Year-end December)	CY20	CY21	CY22E	CY23E	
Profit/(Loss) after taxation	483.9	972.7	719.4	688.3	
Add: Depreciation & Amortization	82.2	66.7	49.2	50.7	
Net Increase in Current Assets	49.0	-4.8	-42.1	-51.3	
Net Increase in Current Liabilities	13.2	72.9	46.7	69.6	
Others	-17.2	-548.7	1.8	1.8	
<b>CF from Operating activities</b>	<b>611.1</b>	<b>558.8</b>	<b>775.0</b>	<b>759.1</b>	
Investments	0.0	0.0	0.0	0.0	
(Purchase)/Sale of Fixed Assets	198.4	567.7	-25.0	-25.0	
Others	79.6	64.2	-49.0	-53.9	
<b>CF from Investing activities</b>	<b>278.0</b>	<b>631.9</b>	<b>-74.0</b>	<b>-78.9</b>	
(inc)/Dec in Loan	-4.6	-6.6	0.0	0.0	
Dividend & Dividend tax	-803.8	-840.6	-1,128.5	-357.0	
Other	-1.6	-1.8	-1.8	-1.8	
CF from Financing activities	-810.0	-849.0	-1,130.3	-358.8	
<b>Net Cash Flow</b>	<b>79.1</b>	<b>341.7</b>	<b>-429.3</b>	<b>321.4</b>	
Cash and Cash Equivalent	1,129.5	1,208.6	1,550.3	1,121.0	
<b>Cash</b>	<b>1,208.6</b>	<b>1,550.3</b>	<b>1,121.0</b>	<b>1,442.3</b>	
<b>Free Cash Flow</b>	<b>809.5</b>	<b>1,126.5</b>	<b>750.0</b>	<b>734.1</b>	

Source: Company, ICICI Direct Research

Exhibit 7: Balance Sheet		₹ crore			
(Year-end December)	CY20	CY21	CY22E	CY23E	
Equity Capital	23.0	23.0	23.0	23.0	
Reserve and Surplus	2,096.0	2,202.6	1,793.5	2,124.8	
Total Shareholders funds	2,119.0	2,225.6	1,816.5	2,147.8	
Total Debt	0.0	0.0	0.0	0.0	
Deferred Tax Liability	30.2	6.3	6.9	7.6	
Long-Term Provisions	0.0	0.0	0.0	0.0	
Other Non Current Liabilities	82.5	79.5	87.5	96.2	
<b>Source of Funds</b>	<b>2,231.7</b>	<b>2,311.4</b>	<b>1,910.9</b>	<b>2,251.6</b>	
Gross Block - Fixed Assets	784.5	794.3	819.3	844.3	
Accumulated Depreciation	393.5	460.2	509.4	560.0	
Net Block	391.0	334.1	309.9	284.3	
Capital WIP	10.0	12.8	12.8	12.8	
Goodwill on Consolidation	73.1	0	0	0	
Fixed Assets	474.1	346.9	322.7	297.1	
Investments	0.0	0.0	0.0	0.0	
Other non-Current Assets	7.6	7.7	8.5	9.3	
Inventory	368.0	392.4	404.5	434.5	
Debtors	148.0	142.9	167.7	183.2	
Loans and Advances	5.7	4.5	4.95	5.445	
Other Current Assets	103.0	47.8	52.6	57.8	
Cash	1,208.6	1,550.3	1,121.0	1,442.3	
Total Current Assets	1,833.3	2,137.9	1,750.7	2,123.3	
Creditors	318.3	376.7	386.1	414.7	
Provisions	238.6	236.7	260.4	286.4	
Other Current Liabilities	129.9	136.2	149.8	164.8	
Total Current Liabilities	686.8	749.6	796.3	865.9	
Long Term Loans and Advances	603.5	568.5	625.4	687.9	
Net Current Assets	1,146.5	1,388.3	954.3	1,257.4	
<b>Application of Funds</b>	<b>2,231.7</b>	<b>2,311.4</b>	<b>1,910.9</b>	<b>2,251.6</b>	

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios					
(Year-end December)	CY20	CY21	CY22E	CY23E	
<b>Per share data (₹)</b>					
Reported EPS	207.4	410.1	312.4	298.9	
Cash EPS	-103.8	-210.5	134.1	165.9	
BV per share	920.1	966.4	788.7	932.6	
Cash per Share	524.8	673.1	486.7	626.3	
Dividend per share	365.0	490.0	155.0	155.0	
<b>Operating Ratios (%)</b>					
Gross Profit Margins	56.8	55.8	56.1	56.9	
EBITDA margins	24.6	25.8	26.5	27.0	
PAT Margins	17.9	19.5	20.2	20.6	
Cash Conversion Cycle	33.1	22.0	25.0	25.0	
Asset Turnover	3.7	3.7	3.7	4.0	
EBITDA conversion Rate	85.7	73.3	95.4	84.0	
<b>Return Ratios (%)</b>					
RoE	24.5	25.9	34.0	32.0	
RoCE	32.3	33.3	43.1	40.8	
RoIC	62.3	93.0	98.2	107.0	
<b>Valuation Ratios (x)</b>					
P/E	34.6	17.5	23.0	24.0	
EV / EBITDA	21.5	19.7	19.0	16.7	
EV / Net Sales	5.3	5.1	5.0	4.5	
Market Cap / Sales	5.7	5.6	5.4	4.9	
Price to Book Value	7.8	7.4	9.1	7.7	
<b>Solvency Ratios</b>					
Debt / EBITDA	0.0	0.0	0.0	0.0	
Debt / Equity	0.0	0.0	0.0	0.0	
Current Ratio	0.9	0.8	0.8	0.8	

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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