

Sanofi India

Rs 4935
On a safe journey

BSE Sensex: 34,925

Nifty-50: 10,605

FINANCIALS

	SALES	OPM (%)	OP	OTHER INC.	PBIDT	INTEREST	PBDT	DEP.	PBT BEFORE EO	TAX	PAT	EPS*
1412 (12)	1977.48	17.1	338.88	130.86	469.74	0.48	469.26	96.64	372.62	109.01	263.61	114.6
1512 (12)	2193.1	20.9	458.9	135.4	594.3	0.4	593.9	113	480.9	159.4	321.5	139.8
1612 (12)	2419.7	22.1	535.1	66.4	601.5	2.3	599.2	118.8	480.4	176.2	304.2	132.3
1712 (12) &	2491.4	21.6	537.2	80.7	617.9	1.1	616.8	102.2	514.6	188.6	326	141.7
1812 (12P) &	2690.71	22	591.96	88.77	680.73	0.5	680.23	104.24	575.98	206.78	369.2	160.5

* On current equity of Rs 23.00 crore. Face Value: Rs 10. Figures in Rs crore. #EPS can not be annualized due to seasonality in business. (P): Projections.
&: As per new accounting standards. Source: Capitaline Database

Sanofi India provides medicines for the treatment of patients in various therapeutic areas, including cardiology, thrombosis, oncology, diabetes, central nervous system, internal medicine and consumer healthcare.

The company has two manufacturing facilities, including Ankleshwar, Gujarat (chemistry and pharmaceuticals) and Verna, Goa (pharmaceuticals).

Its products include Cardace 10, Cardace am 5, Cardace H 5, Lasilactone 50, Combiflam Suspension, Augeoz, Caspercid, Zolineg, Zolineg 2, Combiflam Plus, Novalgin NU, Proctosedyl bd, Amino-fit, CoQ Forte, CoQ, FreeFlex Forte, FreeFlex, Folgel Plus, Icelgel, Macraberin-M, Selace Forte, Seacod Capsule and Seacod Oil.

Sanofi India was incorporated under the name Hoechst Fedco Pharma Private Limited. Over the years, its name was changed to Hoechst Pharmaceuticals Private Limited, Hoechst India Limited and Hoechst Marion Roussel Limited.

Since 1956, Sanofi India has aligned itself with India's healthcare needs by building expertise, capability & capacity, through continued investments, strategic partnerships, and a shared commitment towards patients.

A 60.40% subsidiary of a strong Parent

The parent company Sanofi controls 60.40% stake in the company. Sanofi, a global healthcare leader, discovers, develops and distributes therapeutic solutions focused on patients' needs. Sanofi is organized into five global business units: Diabetes and Cardiovascular, General Medicines and Emerging Markets, Sanofi Genzyme, Sanofi Pasteur and Consumer Healthcare.

It is present in 100 countries and has 76 manufacturing facilities in 36 countries. It however provides healthcare solutions in 170 countries around the world.

Its sales stood at 35 billion Pounds (around Rs 321500 crore). Out of this 40% came in from General Medicines and Emerging markets, 16.2% came from Specialty care, 15.42% came from Diabetes and cardiovascular, 14.58% came from vaccines and 13.8% came from Consumer Healthcare.

United States accounted for 33.8% of the total sales, 29.1% came from Emerging Markets, 27.3% came from Europe and 9.7% from the Rest of the world. It invested 5.5 billion Pound (Rs 505 crore) in R&D in CY 2017.



STOCK DATA

BSE Code	:	500674
BSE Group	:	A
NSE Code	:	SANOFI
Bloomberg	:	SANL IN
Reuters	:	SANO.BO
Par Value	:	Rs 10
52-week High/Low	:	Rs 4995/Rs 3901
Sector	:	Pharmaceuticals

SHAREHOLDING PATTERN*

Category	% of equity
Foreign	: 13.67
Institutions	: 15.62
Corporate Holding	: 4.81
Promoters	: 60.4
Public & Others	: 5.5

* as on 31/03/2018.
Source: Capitaline Databases

With more than 100,000 people in 100 countries, Sanofi is transforming scientific innovation into healthcare solutions around the globe.

Wide therapeutic presence

In Indian markets, the company ranks at number 18 as per IMS TSA MAT December 2017 and enjoys a market share of over 1.7%. Four products of the company viz. LantusR, CombiflamR, AmarylR and AllegraR feature in the top 100 pharmaceutical brands in India.

It has therapeutic presence in Diabetes, Cardiology, Consumer Healthcare, Hospital and Central Nervous System.

As per the latest International Diabetes Federation estimation, India ranks second in terms of patient load with 73 million adults with Diabetes. Sanofi India strives to improve lives of patients with Diabetes, by offering a range of quality medicines and patient support. The company is among the leading companies in Diabetes care with a significant presence in Insulins and oral anti diabetic drugs. Its flagship brands like LantusR and AmarylR, touch lives of nearly 2 million people in India, who are diagnosed with Diabetes.

The insulin portfolio has continued to grow double digits with its presence in Basal and Premix categories. The oral anti-diabetic drug portfolio has continued to grow with an established brand like AmarylR aided by the strong performance of the line extensions like AmarylR M and AmarylR MV.

In Cardiology, the company is present in anti-hypertensive drugs like Angiotensin Converting Enzyme Inhibitors (ACEi), Diuretics and Angiotensin Receptor Blockers (ARB).

In 2017, it conceptualized and executed key initiatives like 'The Month of Measurement' in collaboration with Indian Society of Hypertension along with skill building workshops for DM Cardiology students in collaboration with GE. In addition to the earlier modules (ECG / ECHO / TEE workshops) advance ECHO and Fetal ECHO were also introduced.

CardaceR group, the flagship brand, grew in volumes and continues to be the number 1 ACE Inhibitor prescribed by Cardiologists, Diabetologists and Consulting Physicians.

In Hospital, it is present in Thrombosis and high-end injectable anti-infective categories.

ClexaneR continues to be the trusted brand of Anticoagulants by retaining the number 1 position in Indian market despite 2017 being a highly challenging year due to the full year impact of price cuts imposed by DPCO.

The company has been continuously working towards the key strategic objective of improving the awareness for risk of Deep Vein Thrombosis (DVT) and adherence to guideline based practices, via the SEAD initiative (Sharing Expertise in managing Thrombotic Disorders).

In Central Nervous System the the anti-epilepsy market, FrisiumR grew 12% in volumes post the DPCO mandated price cut in 2016. Add-on registry was rolled out in 40 centers across India to generate long-term Indian data on FrisiumR in epilepsy. One of the successful initiatives of the company is 'Seizure Free India' campaign, running successfully for over nine years. It aims at increasing awareness of epilepsy at patient level and its management with the support of HCPs. The company has also conducted a number of scientific programs aimed at bringing latest updates on recent advances in the management of epilepsy to neurologists.

In Consumer Healthcare the company acquired the Nutraceutical portfolio of Universal Medicare in 2011. In 2017, it restructured this business and created four verticals i.e. Vitamins, Minerals & Supplements (VMS); Pain relief; and Allergy, Cough & Cold in order to have strategic focus on key brands like CollaflexR, FreeFlex , DePURA by Sanofi , E Cod PlusR, Multivite GoldR in VMS, CombiflamR in Pain relief, AllegraR group in Allergy, Cough and Cold.

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Sanofi, MNC associate is well placed to capitalize on sustained growth in demand for medicines from the fast growing middle class, rising incidence of lifestyle diseases, improving medical infrastructure and rising insurance penetration

In CY 2017 Collaflex ProR grew 23% in value terms by driving the concept of long term joint health through scientific programs such as Knee Academy.

Primosa® registered a value growth of 4% by driving disease awareness programs called Speak-Up around premenstrual syndrome in clinics. DePura by Sanofi registered a value growth of 49% and saw an important trial published in Journal of Pediatric endocrinology and metabolism. The trial proved that DePura by Sanofi consumption resulted in 34% higher rise in serum Vitamin D3 levels and 100% subjects on DePura by Sanofi achieved sufficiency.

In August 2017, the first OTC extension of the iconic brand Combiflam® was launched in the topical pain care space with the name Combiflam Icy Hot . In order to capture consumer mind share in the self-medication space, Combiflam Icy Hot was also promoted on TV, digital media, print media and outdoors. The brand has already started to show a positive trend in the market from trade as well as consumers. Combiflam® group declined 5% in value terms and is now the third largest brand in the Non-steroidal Anti-inflammatory Drugs (NSAID) market.

Allegra® is the number 1 antihistamine brand in the Indian pharmaceuticals market. In the year 2017, Allegra® group grew in value terms by 10% in CY 2017.

Continues to upgrade and strengthen manufacturing capacities and operations

In 2017, Sanofi continued to upgrade and strengthen manufacturing capacities and operations supporting Indian and global markets. More than 900 employees working at Ankleshwar and Goa plants ensured compliance with High Quality standards. Capacity was increased through automated system for granulation, compression, packaging lines as well as upgradation was done by replacement of existing machinery with state of art and high-speed lines. Dual sourcing strategy was implemented in order to leverage the industrial footprint in India across sites and strategically allow sites to be back-ups for each other. Such robust site network will provide the additional flexibility for domestic volumes as well as higher exports volumes.

To compliment higher volumes, warehouse and quality building remodeling are currently ongoing at Ankleshwar facility. Manufacturing sites have been gearing up for the serialization of packaging for European markets in 2019. The necessary investments have been initiated and the project will be implemented by end of the year 2018.

Sanofi sites manufacture products with the stringent global quality guidelines. The site holds various GMP accreditations as well as was recertified for important regulatory agencies viz. US-FDA (for Chemistry), MHRA, Australia - TGA, state FDA, Russian MOH, NAFDAC, ANSM and EDQM. Successful Japanese Inspection (PDMA) and Russian Inspection were completed at Ankleshwar Chemistry site.

In Chemistry & Bio-Chemistry Development center at Ankleshwar, pilot plant was upgraded with new infrastructure, technologies and equipment. The site is now better equipped, with resources in lab scale synthesis, pilot plant scale production of intermediates which is required for new chemical entities / new molecular entities.

Sanofi's manufacturing capabilities have delivered combined volumes of 10.5 billion galenic units of tablets and other dosage forms. Approx. 300 tons of API and intermediates were delivered in 2017. As a part of Sanofi Manufacturing System (SMS), Fit4future productivity initiatives were launched, successfully implemented and extended at Ankleshwar site. Manufacturing facilities have successfully embraced SMS and Fit4future principles to integrate the productivity into their way of working. Ankleshwar and Goa sites have also launched Quality focused improvement programs.

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Growth rates are regaining health after sluggish CY17

Sanofi India registered a 12% rise in sales to Rs 617.70 crore for the quarter ended March 2018.

OPM improved 340 bps to 21.8% which saw OP rise 33% to Rs 134.40 crore. Other income grew 42% to Rs 22.60 crore. After providing for depreciation, (stagnant at Rs 25.40 crore), PBT rose 43% to Rs 131.60 crore. Provision for taxation was up 55% to Rs 49.10 crore after which PAT jumped 37% to Rs 82.50 crore.

The company's key therapeutic areas grew strongly in the quarter: Anti-Diabetic portfolio grew by 10% YoY, Vaccines by 24% YoY and Respiratory by 18.4% YoY. High growth of brands like *Lantus*, *Combiflam*, *Allegra* and *Amaryl M*, as well as new product launches are expected to drive SANL's revenue growth.

The company recently launched a new product Toujeo (Insulin Glargin) in the diabetes portfolio, which has received positive response. Toujeo is approved to treat patients who are 18 years and older, while Lantus (Sanofi's another Insulin Glargin) is suitable for ages six and up. Thus, there is low scope of cannibalization.

For CY 2017, Sanofi India registered a 3% rise in sales to Rs 2491.40 crore. OPM fell 60 bps to 21.6% which saw OP at Rs 537.20 crore, almost same as last year's.

Other income grew 22% to Rs 80.70 crore and interest cost fell 52% to Rs 1.10 crore. After providing for depreciation (down 14% to Rs 102.20 crore), PBT rose 7% to Rs 514.60 crore. Provision for taxation was up 7% to Rs 188.60 crore after which PAT went up 7% to Rs 326.00 crore. Notably CY 2017 was adversely affected by GST transition and demonetization after-effects.

The pharmaceuticals market in India is set for encouraging growth

The Indian Pharmaceutical Market has been witnessing double digit growth over the last five years. However, the growth showed down last year to adjust for interventions such as demonetization and the introduction of the new GST structure. For the year ended 31st December 2017 IMS estimates that the Indian Pharmaceutical Market size is at nearly Rs. 1,200 billion growing at 5.4% over the previous year.

The market is expected to return to higher growth and the IMS Prognosis Report September 2017 projects the market growth at ~9% (+/-3%) per annum over the next five years. This growth will be driven by factors such as improving healthcare access, increasing awareness around non-communicable diseases, rapid urbanization and expansion of insurance coverage.

In March 2017, the Government of India approved the National Health Policy 2017. It aims at achieving universal health coverage and delivering affordable and quality healthcare services to all. The policy advocates a positive and proactive engagement with the private sector to fill critical gaps in achieving national goals. It envisages private sector collaboration for strategic purchasing, capacity building, skill development programs, awareness generation, developing sustainable networks for the community to strengthen mental health services and disaster management. The policy proposes to raise public health expenditure to 2.5% of the GDP in a time-bound manner. Upon its implementation, the policy is likely to boost the pharmaceutical industry in India and bring essential healthcare to more and more people in India.

In August 2017, Government of India issued a draft Pharmaceutical Policy 2017, for stakeholder opinion. The draft pharma policy makes an attempt to streamline the system of manufacturing and marketing of medicines to achieve the primary goals of the health policy - universal health coverage and delivery of quality health care services to all at affordable costs. Various companies and industry associations

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have given their suggestions to the Government of India on implementation of those proposals.

The newly-approved National Health Policy seeks to promote universal access to good quality healthcare services while ensuring that no one faces financial hardship, and to ensure that public hospitals provide universal access to a wide array of free drugs and diagnostics. It is indeed a laudable effort to improve accessibility and will help realize the vision of achieving universal health coverage and 'health for all' in India.

India is amongst the fastest growing markets in the world and Sanofi India has made ambitious plans to capitalize on the opportunities. The company is likely to be in line with the market growth in its therapy areas and is committed to delivering high quality healthcare solutions for people across the country.

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Ample growth opportunities

The key growth opportunities in Indian Pharmaceuticals Market, especially in the areas of the company's interest, are likely to be in the following areas: Increasing affordability among the fast growing middle class coupled with improving medical infrastructure and rising insurance penetration. Better diagnosis of chronic, non-communicable diseases (like cardiovascular diseases, respiratory diseases and type-2 Diabetes).

New product launches

Growth in the hospital segment with continuing expansion of the corporate hospitals groups, especially in the metro cities. On operational side, there is large opportunity to have more efficiency in the distribution and supply chain management after implementation and stabilization of GST.

Valuation

The scrip trades around Rs 4935 discounting the projected CY2018 EPS by 31 times.

Sanofi India: Results						
	1803 (3) ₹	1703 (3) ₹	VAR. (%)	1712 (12) ₹	1612 (12)	VAR. (%)
Sales	617.70	552.90	12	2491.40	2419.70	3
OPM (%)	21.8	18.3		21.6	22.1	
OP	134.40	101.24	33	537.20	535.10	0
Other inc.	22.60	15.90	42	80.70	66.40	22
PBIDT	157.00	117.14	34	617.90	601.50	3
Interest	0.00	0.04	-100	1.10	2.30	-52
PBDT	157.00	117.10	34	616.80	599.20	3
Dep.	25.40	25.30	0	102.20	118.80	-14
PBT before EO	131.60	91.80	43	514.60	480.40	7
Tax	49.10	31.70	55	188.60	176.20	7
PAT	82.50	60.10	37	326.00	304.20	7
EPS *	#	#		141.7	132.3	
* On current equity of Rs 23 crore. Face Value: Rs 10. Figures in Rs crore. #EPS can not be annualized due to seasonality in business. &: As per new accounting standards. Source: Capitaline Databases						