



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst Name – Charulata Gaidhani – 02267144146

Q1FY21 Result Update@ Dalal & Broacha

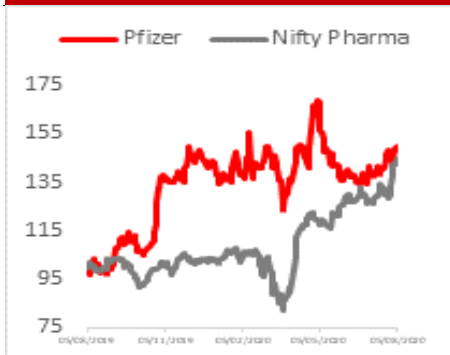
BUY on Dips

Current Price	4430
Target Price	5005
Upside	13%
52 Week Range	2797/5173

Key Share Data

Market Cap (Rs.bn)	203
Market Cap (US\$bn)	3
No of o/s shares (mn)	46
Face Value	10
Monthly Avg.vol (BSE+NSE) Nos'000	64
BSE Code	500680
NSE Code	PFIZER
Bloomberg	PFIZER:IN

Price performance



% Shareholding Jun-20 Mar-20

Promoters	63.92	63.92
FII	2.51	3.69
DII	14.40	12.37
Others	19.16	19.73
Total	100	100

Pfizer expects vaccine sales (Prevanar13) to normalize by September. The company has restructured its sales to a digital platform in view of the lockdown. Pfizer will increase its media spend to 8-9% of sales from current 5%, to promote Prevanar13. We believe the impact on hospitals & vaccines (20% of sales) in temporary in nature and will be resolved in a quarter or two. With established products (55% of sales) growing at a healthy 12%, Pfizer expects EBITDA margins at 25-30%.

We change our rating from BUY to BUY on Dips.

KTAs from Pfizer’s concall:

- Pfizer has grown by 0.9% in Q1FY21 as per IQVIA, against a 2.9% degrowth in IPM during Q1FY21.
- **Covid19 impact:**
- During Q1FY21, hospitals sales de-grew 31% (20% of sales – mainly Zavicefta, ZIMFORO, Xeljanz, Enbrel, Eliquis) and vaccines de-grew 23% (Prevanar13 – 12-13%) during Q1 due to focus on Covid19 patients and closure of OPDs for vaccination. Revenues from hospitals & vaccines were at Rs 1100 mn during Q1FY21. The company expects the vaccine sales to come back to pre-Covid levels from September.
- 60-70% of Pfizer India’s sales force has started field operations from June.
- **Patented Products (20% of sales)**
- Prevanar13: is the only 13-valent vaccines in India and Pfizer’s largest product. The company is expanding Prevanar13 as an adult vaccine, and is confident of sustaining market share for Prevanar 13 despite competition. Prevanar13 to adults clocked revenue of Rs 110 mn in Q1FY21 and Rs 500 mn in FY20.
- **Established Products (55% of sales) grew 12%, led by strong demand for multivitamins (Becosules) and other brands namely Corex, Gelusil.**
- In Women’s Health, Pfizer’s brands Folvite, Autrin are growing more than market.
- Improvement in Gross margins due to higher sales of Corex, Gelusil.
- With lower expenses in Q1FY21, Pfizer plans to increase its media spend to 8-9% of sales, from current levels of 5%.
- The company expects to sustain EBITDA margins at 25-30%.

At CMP, Pfizer trades at 38x FY22E EPS of Rs 116.7.

In view of the price run up, we revise our rating to BUY on Dips.

Key Financials

Year	Sales	% Growth	EBIDTA	OPM (%)	PAT	% Growth	EPS	PE (x)	RoE (%)
FY17	19,663	-2%	3,491	17.8%	3,368	10%	73.6	60.3	5.1
FY18	19,685	0%	5,003	25.4%	3,601	7%	78.7	56.4	14.1
FY19	20,815	6%	5,652	27.2%	4,291	19%	93.8	47.3	13.9
FY 20	21,517	3%	5,726	26.6%	5,091	19%	111.3	39.9	13.4
FY21E	22,592	5%	6,887	30.5%	4,847	-5%	106.0	41.9	14.2
FY22E	24,852	10%	7,494	30.2%	5,337	10%	116.7	38.0	15.0



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Particulars (Rs. mn)	Q1FY21	Q4FY20	Q1FY20	% yoy	% qoq	FY20	FY19	% growth
Net Sales	5149	5020	5444	-5%	3%	21517	20815	3%
Raw material costs	1776	1912	1910			7924	7479	
Employee costs	859	1007	876			3645	3238	
Other Expenses	651	1015	995			4222	4446	
Total Expenses	3286	3933	3782	-13%	-16%	15791	15163	
EBITDA	1863	1087	1662	12%	71%	5726	5652	1%
EBITDA margins	36.2%	21.7%	30.5%			26.6%	27.2%	
Interest	30	36	22			109	13	
Depreciation	271	284	250			1032	714	
Other Income	172	452	358			1840	1674	
Profit before tax	1733	1219	1749	-1%	42%	6425	6599	-3%
Tax	489	189	621			1334	2309	
Profit after tax	1245	1030	1128	10%	21%	5091	4291	19%
PAT margins	24.2%	20.5%	20.7%			23.7%	20.6%	
Equity	457.5	457.5	457.5			457.5	457.5	
Earnings per share	27.2	22.5	24.7			111.3	93.8	

KTAs contd...

- ELIQUIS: Pfizer has gained market share in ELIQUIS. The New Delhi High Court has upheld Pfizer’s patent on ELIQUIS and passed a stay order preventing Indian players from launching the generic in India.
- ZAVICEFTA, ZIMFORO degrew due to no hospital sales since the lockdown in Q1FY21.
- **New launches (8% of sales)**
 - Zimforo – Recent launch impacted due to lower sales from hospitals.
 - MINIPRESS XL, resumed sales streamlining global supply chain issues. The product is growing well with sales of Rs 220-230 mn in Q1FY21.
- **The company plans to ramp up NEKSIUM, used in the treatment of acid reflux in FY22.**
- In Dec’19 brands sold Wymox and Diamox, which recorded sales of Rs 300 mn in FY20.
- The company has strategized its sales network to a digitized platform.



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PFIZER India Limited													
P&L (Rs mn)	FY17	FY18	FY19	FY20	FY21E	FY22E	Cash Flow St. (Rs. mn)	FY17	FY18	FY19	FY20	FY21E	FY22E
Net Sales	19,663	19,685	20,815	21,517	22,592	24,852	Net Profit	3,368	3,601	4,291	5,091	4,847	5,337
Raw materials	7,965	7,397	7,479	7,924	7,907	8,698	Add: Dep. & Amort.	629	663	714	1,032	959	972
Employee costs	3,039	3,143	3,238	3,645	4,083	4,572	Cash profits	3,997	4,263	5,004	6,124	5,806	6,309
Other Expenses	5,168	4,143	4,446	4,222	3,715	4,087	(Inc)/Dec in						
Cost of sales	16,171	14,682	15,163	15,791	15,705	17,357	-Sundry debtors	215	(340)	(169)	(4)	(137)	(186)
Operating Profit	3,491	5,003	5,652	5,726	6,887	7,494	-Inventories	388	248	(896)	(439)	283	(402)
Depreciation	629	663	714	1,032	959	972	-Loans/advances	(22)	(308)	293	123	(12)	(13)
PBIT	2,862	4,340	4,938	4,693	5,928	6,522	-Sundry creditors	1,379	1,580	(658)	(1,848)	221	597
Other income	1,012	1,143	1,674	1,840	736	810	-Others	106	(968)	(955)	(398)	27	(243)
Interest	10	4	13	109	114	120	Change in working capital	2,066	213	(2,385)	(2,567)	382	(247)
Profit before tax	3,864	5,479	6,599	6,425	6,550	7,212	CF from Oper. activities	6,064	4,476	2,620	3,557	6,188	6,063
Provision for tax	1,801	1,878	2,309	1,334	1,703	1,875	CF from Inv. activities	(158)	(1,001)	(62)	(1,914)	(474)	(540)
Reported PAT	2,064	3,601	4,291	5,091	4,847	5,337	CF from Fin. activities	(921)	(987)	(1,133)	(1,278)	(1,101)	(1,107)
Exceptional Item	1,304	-	-	-	-	-	Cash generated/(utilised)	4,984	2,488	1,425	365	4,613	4,416
Adjusted PAT	3,368	3,601	4,291	5,091	4,847	5,337	Cash at start of the year	10,247	15,231	17,719	19,143	22,199	26,938
							Cash at end of the year	15,231	17,719	19,143	19,508	26,812	31,354
Balance Sheet	FY17	FY18	FY19	FY20	FY21E	FY22E	Ratios	FY17	FY18	FY19	FY20	FY21E	FY22E
Equity capital	458	458	458	458	458	458	OPM	18%	25%	27%	27%	30%	30%
Reserves	23,731	26,375	29,656	33,497	37,238	41,468	NPM	16%	17%	19%	22%	21%	21%
Net worth	24,189	26,832	30,113	33,955	37,695	41,925	Tax rate	47%	34%	35%	21%	26%	26%
Other Non Current Liab.	723	662	726	2,067	2,171	2,279	Growth Ratios (%)						
Deferred Tax Liabilities	176	146	22	-	-	-	Net Sales	-2.29%	0.11%	5.74%	3.37%	5.00%	10.00%
Total debt	25	25	25	25	25	25	Operating Profit	-19%	43%	13%	1%	20%	9%
CAPITAL EMPLOYED	25,112	27,665	30,887	36,047	39,891	44,229	PAT	10%	7%	19%	19%	-5%	10%
Gross block	1,140	1,261	1,315	3,778	3,828	3,928	Per Share (Rs.) *						
Accumulated deprn	308	446	600	1,633	2,138	2,657	Net Earnings (EPS)	73.6	78.7	93.8	111.3	106.0	116.7
Net block	833	815	714	2,145	1,690	1,271	Cash Earnings (CPS)	332.9	387.3	418.4	485.2	588.8	688.4
Capital WIP	153	10	-	8	-	-	Dividend	15.0	20.1	19.9	330.0	20.0	20.0
Total fixed assets	986	825	714	2,153	1,690	1,271	Book Value	528.7	586.5	658.2	742.2	823.9	916.4
Intangible Assets	7,838	8,351	7,824	7,274	7,274	7,274	Free Cash Flow	(10.1)	51.5	26.9	1.2	28.8	34.8
Investments	351	337	323	310	296	282	Valuation Ratios						
Other non current assets	2,930	3,356	3,508	4,187	4,071	4,227	P/E(x)	60.3	56.4	47.3	39.9	41.9	38.0
Inventories	3,219	2,971	3,867	4,306	4,023	4,426	P/B(x)	0.1	0.1	0.1	0.1	0.1	0.1
Sundry debtors	1,208	1,548	1,717	1,720	1,857	2,043	EV/EBIDTA(x)	577.2	402.3	355.9	350.7	290.9	266.7
Cash & bank	15,231	17,719	19,143	22,199	26,938	31,495	EV/SALES(x)	102.5	102.2	96.6	93.3	88.7	80.4
Loans & advances	354	550	373	248	261	274	Div. Yield(%)	0.3%	0.5%	0.4%	7.4%	0.5%	0.5%
Other current assets	589	1,243	1,931	1,658	1,740	1,827	FCF Yield(%)	-0.2%	1.2%	0.6%	0.0%	0.6%	0.8%
Other liabilities	6,565	8,222	4,359	4,268	4,333	4,766	Return Ratios (%)						
Provisions	1,029	1,013	971	1,056	1,109	1,164	ROE	5%	14%	14%	13%	14%	15%
Working capital	13,006	14,795	18,517	22,124	26,561	31,176	ROCE	15%	20%	21%	18%	17%	17%
Miscellaneous exp.	-	-	-	-	-	-							
CAPITAL DEPLOYED	25,112	27,665	30,887	36,047	39,891	44,229							



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