



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

**Analyst Name – Charulata Gaidhani – 02267144146**

**Q1FY21 Result Update@ Dalal & Broacha**

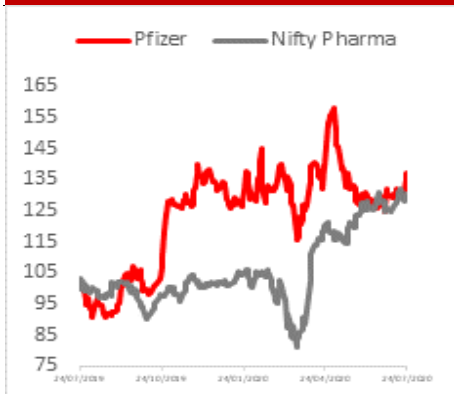
**BUY**

Current Price	4438
Target Price	5005
Upside	12%
52 Week Range	2797/5173

**Key Share Data**

Market Cap (Rs.bn)	199.96
Market Cap (US\$bn)	2.67
No of o/s shares (mn)	45.75
Face Value	10
Monthly Avg.vol (BSE+NSE) Nos'000	71.38
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
<b>Total</b>	<b>100</b>	<b>100</b>

Pfizer India Q1FY21 results were far above expectations. Although revenues were 2% lower than our estimates, diligent cost reduction improved profitability. There has been no impact of Covid19 on operations, with the management assurance towards availability of medicines.

**Q1FY21 Key Highlights:**

- **Sales** -5% yoy/+3% qoq to Rs 5149 mn Vs our estimate of Rs 5281 mn.
- **Gross Profit** -5% at Rs 3373 mn, due to **7% lower raw material costs**.
- **Gross margins** at 65.5%, **highest in the last 5 quarters**.
- **EBITDA** +12% yoy/+71% qoq to Rs 1863 mn Vs significantly higher than our estimate of Rs 1347 mn, **due to lower expenses (-2% employee costs and -34% other expenses)**.
- **EBITDA margins 36.2%, highest so far** ( 30.5% yoy/21.7% qoq)
- **Other Income, mainly comprising interest income was significantly lower at Rs 165 mn.**
- **PBT** -1% yoy to Rs 1733 mn.
- **PAT** +10% yoy to Rs 1245 mn after taxes @28%, higher than our estimate of Rs 1141 mn.
- **EPS** for the quarter was at Rs 27.9.

**Lower other expenses due to lockdown**

Other expenses during the quarter were 34% lower at Rs 651 mn. The main components of other expenses have been advertising & sales promotion, travelling and legal & professional charges. We believe the expenses were lower in view of the lockdown during the quarter.

**Outlook & Valuation**

At Rs 4438, Pfizer trades at 35x FY22E EPS of Rs 128.1.

**We maintain our BUY rating on the stock.**

**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%	6,053	26.8%	5,183	2%	113.3	39.2	14.2
FY22E	24,852	10%	6,787	27.3%	5,862	13%	128.1	34.6	15.0



Particulars (Rs. mn)	Q1FY21	Q4FY20	Q1FY20	% yoy	% qoq	FY20	FY19	% growth
<b>Net Sales</b>	<b>5149</b>	<b>5020</b>	<b>5444</b>	-5%	3%	<b>21517</b>	<b>20815</b>	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	
<b>EBITDA</b>	<b>1863</b>	<b>1087</b>	<b>1662</b>	12%	71%	<b>5726</b>	<b>5652</b>	1%
<b>EBITDA margins</b>	<b>36.2%</b>	<b>21.7%</b>	<b>30.5%</b>			<b>26.6%</b>	<b>27.2%</b>	
Interest	30	36	22			109	13	
Depreciation	271	284	250			1032	714	
Other Income	172	452	358			1840	1674	
<b>Profit before tax</b>	<b>1733</b>	<b>1219</b>	<b>1749</b>	-1%	42%	<b>6425</b>	<b>6599</b>	-3%
Tax	489	189	621			1334	2309	
<b>Profit after tax</b>	<b>1245</b>	<b>1030</b>	<b>1128</b>	10%	21%	<b>5091</b>	<b>4291</b>	19%
<b>PAT margins</b>	<b>24.2%</b>	<b>20.5%</b>	<b>20.7%</b>			<b>23.7%</b>	<b>20.6%</b>	
Equity	457.5	457.5	457.5			457.5	457.5	
<b>Earnings per share</b>	<b>27.2</b>	<b>22.5</b>	<b>24.7</b>			<b>111.3</b>	<b>93.8</b>	



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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	5,183	5,862
Raw materials	7,965	7,397	7,479	7,924	8,133	8,947	Add: Dep. & Amort.	629	663	714	1,032	959	972
Employee costs	3,039	3,143	3,238	3,645	3,973	4,331	<b>Cash profits</b>	<b>3,997</b>	<b>4,263</b>	<b>5,004</b>	<b>6,124</b>	<b>6,142</b>	<b>6,834</b>
Other Expenses	5,168	4,143	4,446	4,222	4,433	4,788	(Inc)/Dec in						
<b>Cost of sales</b>	<b>16,171</b>	<b>14,682</b>	<b>15,163</b>	<b>15,791</b>	<b>16,539</b>	<b>18,065</b>	-Sundry debtors	215	(340)	(169)	(4)	(137)	(186)
<b>Operating Profit</b>	<b>3,491</b>	<b>5,003</b>	<b>5,652</b>	<b>5,726</b>	<b>6,053</b>	<b>6,787</b>	-Inventories	388	248	(896)	(439)	283	(402)
Depreciation	629	663	714	1,032	959	972	-Loans/advances	(22)	(308)	293	123	(12)	(13)
<b>PBIT</b>	<b>2,862</b>	<b>4,340</b>	<b>4,938</b>	<b>4,693</b>	<b>5,094</b>	<b>5,815</b>	-Sundry creditors	1,379	1,580	(658)	(1,848)	345	610
Other income	1,012	1,143	1,674	1,840	2,024	2,227	-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)	506	(234)
<b>Profit before tax</b>	<b>3,864</b>	<b>5,479</b>	<b>6,599</b>	<b>6,425</b>	<b>7,004</b>	<b>7,922</b>	<b>CF from Oper. activities</b>	<b>6,064</b>	<b>4,476</b>	<b>2,620</b>	<b>3,557</b>	<b>6,648</b>	<b>6,600</b>
Provision for tax	1,801	1,878	2,309	1,334	1,821	2,060	CF from Inv. activities	(158)	(1,001)	(62)	(1,914)	(474)	(540)
<b>Reported PAT</b>	<b>2,064</b>	<b>3,601</b>	<b>4,291</b>	<b>5,091</b>	<b>5,183</b>	<b>5,862</b>	CF from Fin. activities	(921)	(987)	(1,133)	(1,278)	(1,101)	(1,107)
Exceptional Item	1,304	-	-	-	-	-	<b>Cash generated/(utilised)</b>	<b>4,984</b>	<b>2,488</b>	<b>1,425</b>	<b>365</b>	<b>5,073</b>	<b>4,953</b>
<b>Adjusted PAT</b>	<b>3,368</b>	<b>3,601</b>	<b>4,291</b>	<b>5,091</b>	<b>5,183</b>	<b>5,862</b>	Cash at start of the year	10,247	15,231	17,719	19,143	22,199	27,398
							Cash at end of the year	15,231	17,719	19,143	19,508	27,271	32,351
<b>Balance Sheet</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>Ratios</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>
Equity capital	458	458	458	458	458	458	OPM	18%	25%	27%	27%	27%	27%
Reserves	23,731	26,375	29,656	33,497	37,573	42,328	NPM	16%	17%	19%	22%	21%	22%
<b>Net worth</b>	<b>24,189</b>	<b>26,832</b>	<b>30,113</b>	<b>33,955</b>	<b>38,031</b>	<b>42,786</b>	Tax rate	47%	34%	35%	21%	26%	26%
Other Non Current Liab.	723	662	726	2,067	2,171	2,279	<b>Growth Ratios (%)</b>						
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%	6%	12%
<b>CAPITAL EMPLOYED</b>	<b>25,112</b>	<b>27,665</b>	<b>30,887</b>	<b>36,047</b>	<b>40,227</b>	<b>45,090</b>	PAT	10%	7%	19%	19%	2%	13%
Gross block	1,140	1,261	1,315	3,778	3,828	3,928	<b>Per Share (Rs.) *</b>						
Accumulated deprn	308	446	600	1,633	2,138	2,657	<b>Net Earnings (EPS)</b>	<b>73.6</b>	<b>78.7</b>	<b>93.8</b>	<b>111.3</b>	<b>113.3</b>	<b>128.1</b>
Net block	833	815	714	2,145	1,690	1,271	<b>Cash Earnings (CPS)</b>	<b>332.9</b>	<b>387.3</b>	<b>418.4</b>	<b>485.2</b>	<b>598.9</b>	<b>710.2</b>
Capital WIP	153	10	-	8	-	-	Dividend	15.0	20.1	19.9	330.0	20.0	20.0
<b>Total fixed assets</b>	<b>986</b>	<b>825</b>	<b>714</b>	<b>2,153</b>	<b>1,690</b>	<b>1,271</b>	Book Value	528.7	586.5	658.2	742.2	831.3	935.2
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	<b>Valuation Ratios</b>						
Other non current assets	2,930	3,356	3,508	4,187	4,071	4,227	<b>P/E(x)</b>	<b>60.3</b>	<b>56.4</b>	<b>47.3</b>	<b>39.9</b>	<b>39.2</b>	<b>34.6</b>
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	330.9	294.4
<b>Cash &amp; bank</b>	<b>15,231</b>	<b>17,719</b>	<b>19,143</b>	<b>22,199</b>	<b>27,398</b>	<b>32,492</b>	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	<b>FCF Yield(%)</b>	<b>-0.2%</b>	<b>1.2%</b>	<b>0.6%</b>	<b>0.0%</b>	<b>0.6%</b>	<b>0.8%</b>
Other liabilities	6,565	8,222	4,359	4,268	4,457	4,902	<b>Return Ratios (%)</b>						
Provisions	1,029	1,013	971	1,056	1,109	1,164	<b>ROE</b>	<b>5%</b>	<b>14%</b>	<b>14%</b>	<b>13%</b>	<b>14%</b>	<b>15%</b>
<b>Working capital</b>	<b>13,006</b>	<b>14,795</b>	<b>18,517</b>	<b>22,124</b>	<b>26,897</b>	<b>32,037</b>	<b>ROCE</b>	<b>15%</b>	<b>20%</b>	<b>21%</b>	<b>18%</b>	<b>18%</b>	<b>18%</b>
Miscellaneous exp.	-	-	-	-	-	-							
<b>CAPITAL DEPLOYED</b>	<b>25,112</b>	<b>27,665</b>	<b>30,887</b>	<b>36,047</b>	<b>40,227</b>	<b>45,090</b>							



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