



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst Name – Charulata Gaidhani – 02267144146

Result Update@ Dalal & Broacha

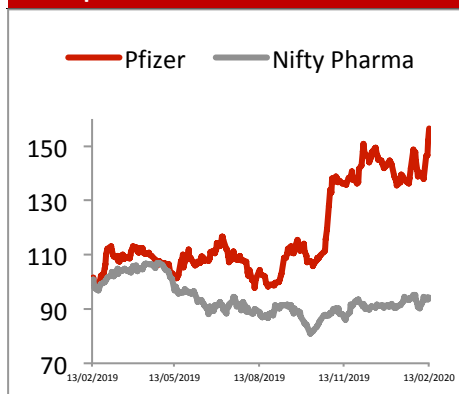
BUY

Current Price	4029
Target Price	5005
Upside	24%
52 Week Range	2797/4649

Key Share Data

Market Cap (Rs.bn)	191.62
Market Cap (US\$bn)	2684.51
No of o/s shares (mn)	45.75
Face Value	10
Monthly Avg.vol (BSE+NSE) Nos'000	15634.25
BSE Code	500680
NSE Code	PFIZER
Bloomberg	PFIZER:IN

Price performance



% Shareholding

	Dec-19	Sep-19
Promoters	63.92	63.92
FII	3.74	3.61
DII	12.98	12.64
Others	19.36	19.70
Total	100	100

Key Financials

Year	Sales	% Growth	EBIDTA	OPM (%)	PAT	% Growth	EPS	PE (x)	RoE (%)
FY17	19,662.7	-2%	3,491.4	17.8%	3,368.0	10%	73.6	54.7	5.1
FY18	19,685.1	0%	5,002.9	25.4%	3,600.7	7%	78.7	51.2	14.1
FY19	20,815.0	6%	5,652.0	27.2%	4,290.5	19%	93.8	43.0	13.9
FY 20E	22,896.5	10%	6,404.7	28.0%	5,220.9	22%	114.1	35.3	13.4
FY21E	25,186.2	10%	7,015.3	27.9%	6,150.6	18%	134.4	30.0	14.2
FY22E	27,704.8	10%	7,820.5	28.2%	6,886.2	12%	150.5	26.8	15.3

Pfizer India results were below expectations. Lower sales growth and two launches during the quarter increased expenses and lowered profitability. The quarter saw the launch of ZINFORO, a patented antibiotic and re-launch of MINIPRESS, which was facing shortages due to global supply chain issues in the group. We believe the profitability will be restored in the coming quarters.

Launch of ZINFORO in the Indian market

Pfizer India launched ZINFORO, an antibiotic (Ceftaroline fosamil). ZINFORO is an intravenous anti bacterial from Allergan, under patent till December'21 and November'22. The product has sales of \$1.6 bn in 2019. ZINFORO is the 5th patented product from Pfizer in the Indian market.

Re-launch of MINIPRESS in the Indian market

The company re-launched MINIPRESS, after the global supply chain issues were resolved. MINIPRESS is one of the top 20 products of Pfizer, with annual revenues ranging Rs 1200 – 1500 mn, used in the treatment of Hypertension.

Muted sales and earnings growth

Sales +5% yoy Rs 5381 mn. Raw material costs increased 14% to Rs 2008 mn, Employee costs increased 7.5% to Rs 899 mn and other expenses increased 15% to Rs 1140 mn. EBITDA de-grew 14% to Rs 1334 mn. EBITDA margins were at 24.8% (-520 bps yoy/-420 bps qoq). Interest increased to Rs 24.6 mn (higher due to IND AS adjustment for lease) PBT decreased 18% to Rs 1644 mn. After lower taxes @15% PAT increased 5% to Rs 1390.8 mn. EPS for the quarter was at Rs 30. During the quarter, Pfizer India divested 2 brands for a consideration of Rs 300 mn, which net of expenses (Rs 250 mn) has been included in Other Income.

Outlook & Valuation

At CMP, Pfizer trades at 30x FY21E EPS of Rs 134. We believe Pfizer will **Grow in revenues and earnings with the ramp up in its new launches. With ZAVICEFTA sales at Rs 400-430 mn in Q3FY20, we believe ZINFORO will follow suit. We are positive on Pfizer, as it is the only MNC with patented products comprising 20% of sales. We maintain our BUY rating on the stock.**



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Particulars (Rs. mn)	Q3FY20	Q2FY20	Q3FY19	% yoy	% qoq	9MFY20	9MFY19	% growth
Net Sales	5381.4	5670.6	5137.9	5%	-5%	16496	15458.4	7%
Raw material costs	2008	2094.3	1767.8			6012.5	5641.1	
Employee costs	899.8	862.4	837			2638.6	2423.8	
Other Expenses	1139.6	1072.1	989.8			3206.8	3251.4	
Total Expenses	4047.4	4028.8	3594.6			11857.9	11316.3	5%
EBITDA	1334	1641.8	1543.3	-14%	-19%	4638.1	4142.1	12%
EBITDA margins	24.8%	29.0%	30.0%	-17%	-14%	28.1%	26.8%	
Interest	24.6	26.2	2.9			72.3	6.8	
Depreciation	247	251.3	177.7			748.3	537.8	
Other Income	582.2	447.5	643.5			1388	1319.4	
Profit before tax	1644.6	1811.8	2006.2	-18%	-9%	5205.5	4916.9	6%
Tax	254.4	269.3	686.8			1144.7	1721.1	
Profit after tax	1390.2	1542.5	1319.4	5%	-10%	4060.8	3195.8	27%
PAT margins	25.8%	27.2%	25.7%			24.6%	20.7%	
Equity	457.5	457.5	457.5			457.5	457.5	
Earnings per share	30.4	33.7	28.8			88.8	69.9	



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PFIZER India Limited													
P&L (Rs mn)	FY17	FY18	FY19	FY20E	FY21E	FY22E	Cash Flow St. (Rs. mn)	FY17	FY18	FY19	FY20E	FY21E	FY22E
Net Sales	19,662.7	19,685.1	20,815.0	22,896.5	25,186.2	27,704.8	Net Profit	3,368.0	3,600.7	4,290.5	5,220.9	6,150.6	6,886.2
Raw materials	7,964.8	7,396.8	7,479.0	8,128.3	9,067.0	9,973.7	Add: Dep. & Amort.	629.3	662.5	713.9	707.7	714.2	727.2
Employee costs	3,038.9	3,142.9	3,238.4	3,562.2	3,918.5	4,310.3	Cash profits	3,997.2	4,263.2	5,004.4	5,928.6	6,864.8	7,613.3
Other Expenses	5,167.6	4,142.5	4,445.6	4,801.3	5,185.4	5,600.2	(Inc)/Dec in						
Cost of sales	16,171.3	14,682.2	15,163.0	16,491.8	18,170.9	19,884.3	-Sundry debtors	215.2	(340.2)	(168.6)	(165.3)	(188.2)	(207.0)
Operating Profit	3,491.4	5,002.9	5,652.0	6,404.7	7,015.3	7,820.5	-Inventories	387.8	248.4	(896.0)	(210.9)	(407.7)	(448.5)
Depreciation	629.3	662.5	713.9	707.7	714.2	727.2	-Loans/advances	(21.6)	(307.6)	292.8	(18.6)	(19.6)	(20.5)
PBIT	2,862.1	4,340.4	4,938.1	5,697.0	6,301.1	7,093.3	-Sundry creditors	1,378.8	1,580.0	(657.6)	(331.3)	1,036.3	491.0
Other income	1,011.7	1,143.0	1,674.0	1,841.4	2,025.5	2,228.0	-Others	106.3	(968.1)	(955.4)	(222.0)	(202.5)	(258.2)
Interest	9.6	4.2	12.9	80.0	15.0	15.8	Change in working capital	2,066.4	212.6	(2,384.8)	(948.1)	218.3	(443.3)
Profit before tax	3,864.2	5,479.1	6,599.1	7,458.4	8,311.6	9,305.6	CF from Oper. activities	6,063.6	4,475.8	2,619.6	4,980.5	7,083.1	7,170.1
Provision for tax	1,800.6	1,878.4	2,308.6	2,237.5	2,161.0	2,419.5	CF from Inv. activities	(158.3)	(1,000.7)	(62.2)	(609.8)	(559.8)	(609.8)
Reported PAT	2,063.6	3,600.7	4,290.5	5,220.9	6,150.6	6,886.2	CF from Fin. activities	(920.9)	(987.4)	(1,132.6)	(1,104.9)	(1,104.7)	(1,104.5)
Exceptional Item	1,304.4	-	-	-	-	-	Cash generated/(utilised)	4,984.4	2,487.8	1,424.8	3,265.8	5,418.6	5,455.9
Adjusted PAT	3,368.0	3,600.7	4,290.5	5,220.9	6,150.6	6,886.2	Cash at start of the year	10,246.5	15,230.9	17,718.6	19,143.4	22,409.2	27,827.8
Balance Sheet	FY17	FY18	FY19	FY20E	FY21E	FY22E	Ratios	FY17	FY18	FY19	FY20E	FY21E	FY22E
Equity capital	457.5	457.5	457.5	457.5	457.5	457.5	OPM	18%	25%	27%	28%	28%	28%
Reserves	23,731.3	26,374.5	29,655.9	33,769.6	38,813.0	44,592.0	NPM	16%	17%	19%	21%	23%	23%
Net worth	24,188.8	26,832.0	30,113.4	34,227.1	39,270.5	45,049.5	Tax rate	47%	34%	35%	30%	26%	26%
Other Non Current Liabilities	722.5	661.8	725.9	762.2	800.3	840.3	Growth Ratios (%)						
Deferred Tax Liabilities	175.6	145.8	22.3	24.5	27.0	29.7	Net Sales	-2.29%	0.11%	5.74%	10.00%	10.00%	10.00%
Total debt	25.0	25.0	25.0	25.0	25.0	25.0	Operating Profit	-19%	43%	13%	13%	10%	11%
CAPITAL EMPLOYED	25,112.0	27,664.6	30,886.6	35,038.8	40,122.8	45,944.6	PAT	10%	7%	19%	22%	18%	12%
Gross block	1,140.2	1,260.6	1,314.7	1,414.7	1,464.7	1,564.7	Per Share (Rs.) *						
Accumulated depreciation	307.5	445.6	600.4	784.3	974.7	1,178.1	Net Earnings (EPS)	73.6	78.7	93.8	114.1	134.4	150.5
Net block	832.7	815.0	714.3	630.4	490.0	386.6	Cash Earnings (CPS)	332.9	387.3	418.4	489.8	608.3	727.5
Capital WIP	153.4	10.4	-	-	-	-	Dividend	15.0	20.1	19.9	20.0	20.0	20.0
Total fixed assets	986.1	825.4	714.3	630.4	490.0	386.6	Book Value	528.7	586.5	658.2	748.1	858.4	984.7
Intangible Assets	7,838.1	8,351.0	7,824.3	7,824.3	7,824.3	7,824.3	Free Cash Flow	(10.1)	51.5	26.9	37.2	36.7	37.7
Investments	351.3	337.2	323.3	309.3	295.3	281.3	Valuation Ratios						
Other non current assets	2930	3356	3508	3634	3735	3886	P/E(x)	54.7	51.2	43.0	35.3	30.0	26.8
Inventories	3,219.0	2,970.6	3,866.6	4,077.5	4,485.2	4,933.7	P/B(x)	0.1	0.1	0.1	0.2	0.2	0.2
Sundry debtors	1,207.8	1,548.0	1,716.6	1,881.9	2,070.1	2,277.1	EV/EBIDTA(x)	523.6	364.9	322.7	284.3	258.8	231.4
Cash & bank	15,230.8	17,718.6	19,143.4	22,409.2	27,827.8	33,283.6	EV/SALES(x)	93.0	92.7	87.6	79.5	72.1	65.3
Loans & advances	354.5	550.2	372.7	391.3	410.9	431.4	Div. Yield(%)						
Other current assets	588.6	1,243.0	1,930.6	2,027.1	2,128.5	2,234.9	FCF Yield(%)						
Other liabilities	6,565.1	8,222.4	7,542.3	7,126.1	8,073.4	8,470.8	Return Ratios (%)						
Provisions	1,029.1	1,012.6	971.0	1,019.6	1,070.5	1,124.1	ROE	5%	14%	14%	13%	14%	15%
Working capital	13,006.5	14,795.4	18,516.6	22,641.3	27,778.6	33,565.9	ROCE	15%	20%	21%	22%	21%	20%
Miscellaneous exp.	-	-	-	-	-	-							
CAPITAL DEPLOYED	25,112.0	27,664.6	30,886.6	35,038.8	40,122.8	45,944.6							



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