

### Sales growth highest in last 6 quarters, lower other income subdues earnings growth

- Sales came in at Rs 5935 mn +10% yoy, in line with our estimate of Rs 5920 mn.
- EBITDA came in at Rs 1968 mn +48% yoy/-3% qoq, in line with our estimate of Rs 1913 mn.
- EBITDA margins were at 33.2% (+840 bps yoy/-90 bps qoq)
- PAT came in at Rs 1412 mn +2% yoy/+8% qoq, 10% above our estimate, due to tax at 22% vs our assumption of 26%.
- EPS for the quarter was at Rs 30.9.
- PAT growth subdued in view of lower other income due to special dividend outflow in FY20.

### Key Highlights

- Raw material costs +6%, thus improving gross margins 150 bps yoy to 64.2%.
- EBITDA grew 48% to Rs 1968 mn, with increased employee costs +5% yoy/+9% qoq at Rs 941 mn and lower other expenses at Rs 900 mn.
- Depreciation +10% Rs 272 mn, Interest +57% due to Ind AS 116, Rs 39 mn. Other Income was 75% lower at Rs 146 mn in view of the Rs 330/share special dividend paid in FY20.
- PBT +10% yoy Rs 1802 mn with PBT margins at 30.4%.
- Pfizer has withdrawn its application for Emergency Use Authorization of its Covid vaccine in the Indian market.

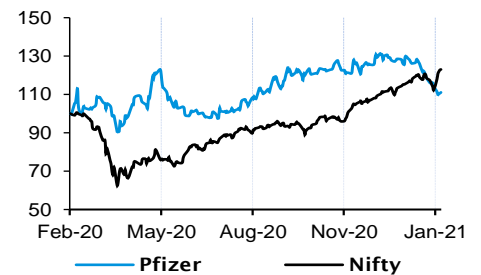
Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	5005	11

### Market data

Current price	Rs	4,517
Market Cap (Rs.Bn)	(Rs Bn)	207
Market Cap (US\$ Mn)	(US\$ Mn)	2839
Face Value	Rs	10
52 Weeks High/Low	Rs	5875/3588
Average Daily Volume	('000)	75
BSE Code		500680
Bloomberg		PFIZER:IN

Source: Bloomberg

### One Year Performance



Source: Bloomberg

% Shareholding	Dec-20	Sep-20
Promoters	63.92	63.92
FII	1.87	1.93
DII	14.31	14.96
Others	19.89	19.18
<b>Total</b>	<b>100</b>	<b>100</b>

Source: BSE

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net sales	20,815	21,517	22,592	24,852	27,337
Adjusted net profit	4,291	5,091	5,155	5,673	6,144
Free cash flow	1229	670	1320	1594	1605
EPS (Rs)	93.8	111.3	112.7	124.0	134.3
growth (%)	19%	19%	1%	10%	8%
P/E (x)	48.2	40.6	40.1	36.4	33.6
P/B (x)	6.9	6.1	5.4	4.9	4.3
EV/EBITDA (x)	33.2	32.2	24.9	22.2	17.8
D/E	0	0	0	0	0
RoIC (%)	40	44	49	55	61
RoE (%)	14	13	14	15	14
Dividend yield (%)	0.4	7.3	0.4	0.4	0.4

Source: Company

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## Quarterly Performance Analysis

### Exhibit 1

Particulars (Rs. mn)	Q3FY21	Q2FY21	Q3FY20	% yoy	% qoq	9MFY21	9MFY20	% growth
<b>Net Sales</b>	<b>5935</b>	<b>5954</b>	<b>5381</b>	10%	0%	<b>17038</b>	<b>16496</b>	3%
Raw material costs	2126	2118	2008			6020	6013	
Employee costs	941	862	900			2662	2639	
Other Expenses	900	941	1140			2492	3207	
Total Expenses	3967	3921	4047	-2%	1%	11174	11858	
<b>EBITDA</b>	<b>1968</b>	<b>2033</b>	<b>1334</b>	48%	-3%	<b>5864</b>	<b>4638</b>	26%
<b>EBITDA margins</b>	<b>33.2%</b>	<b>34.1%</b>	<b>24.8%</b>			<b>34.4%</b>	<b>28.1%</b>	
Interest	39	47	25			116	72	
Depreciation	272	277	247			821	748	
Other Income	146	122	582			439	1388	
<b>Profit before tax</b>	<b>1803</b>	<b>1830</b>	<b>1645</b>	10%	-2%	<b>5366</b>	<b>5206</b>	3%
Tax	390	517	254			1396	1145	
<b>Profit after tax</b>	<b>1412</b>	<b>1314</b>	<b>1390</b>	2%	8%	<b>3971</b>	<b>4061</b>	-2%
<b>PAT margins</b>	<b>23.8%</b>	<b>22.1%</b>	<b>25.8%</b>			<b>23.3%</b>	<b>24.6%</b>	
Equity	457.5	457.5	457.5			457.5	457.5	
Earnings per share	30.9	28.7	30.4			86.8	88.8	

Sales growth better than IPM growth

Significant improvement in yoy EBITDA margins due to lower other expenses.

Other income lower due to cash outflow from 330% dividend in FY20.

Profitability	Q3FY21	Q2FY21	Q3FY20	bps +/- y	bps +/- q	9MFY21	9MFY20	bps +/-
Gross margin	64.2	64.4	62.7	150	-24	64.7	63.6	112
EBITDA margin	33.2	34.1	24.8	837	-99	34.4	28.1	630
PBT margin	30.4	30.7	30.6	-19	-37	31.5	31.6	-6
PAT margin	21.6	28.2	15.5	618	-658	26.0	22.0	402

Expenses contribution to sales	Q3FY21	Q2FY21	Q3FY20	9MFY21	9MFY20
Raw materials	36	36	37	35	36
Employee costs	16	14	17	16	16
Other expenses	15	16	21	15	19
Tax as % to PBT	22	28	15	26	22

Source: Dalal & Broacha Research, Company

## Valuation & Outlook

The company's efforts on widening its reach with digitization have improved sales growth. Pfizer has planned 1 patented product launch in FY21. The company has withdrawn its application for Emergency Use Authorization of its Covid vaccine in the Indian market. The Covid vaccine sales have not been factored into our estimates.

**At Rs 4516, Pfizer trades at 36x FY22E EPS of Rs 124. We maintain BUY on Dips.**

## Financial

P&L (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E	Cash Flow St. (Rs. mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	20,815	21,517	22,592	24,852	27,337	Net Profit	4,291	5,091	5,155	5,673	6,144
Raw materials	7,479	7,924	7,907	8,698	9,568	Add: Dep. & Amort.	714	1,032	878	891	904
Employee costs	3,238	3,645	3,791	4,246	4,883	<b>Cash profits</b>	<b>5,004</b>	<b>6,124</b>	<b>6,032</b>	<b>6,564</b>	<b>7,048</b>
Other Expenses	4,446	4,222	3,673	4,040	4,444	(Inc)/Dec in					
<b>Cost of sales</b>	<b>15,163</b>	<b>15,791</b>	<b>15,371</b>	<b>16,984</b>	<b>18,895</b>	-Sundry debtors	(169)	(4)	(137)	(186)	(204)
<b>Operating Profit</b>	<b>5,652</b>	<b>5,726</b>	<b>7,221</b>	<b>7,867</b>	<b>8,442</b>	-Inventories	(896)	(439)	283	(402)	(443)
Depreciation	714	1,032	878	891	904	-Loans/advances	293	123	(12)	(13)	(14)
<b>PBIT</b>	<b>4,938</b>	<b>4,693</b>	<b>6,344</b>	<b>6,977</b>	<b>7,538</b>	-Sundry creditors	(658)	(1,848)	221	597	649
Other income	1,674	1,840	736	810	891	-Others	(955)	(398)	27	(243)	(263)
Interest	13	109	114	120	126	Change in working capital	(2,385)	(2,567)	382	(247)	(275)
<b>Profit before tax</b>	<b>6,599</b>	<b>6,425</b>	<b>6,966</b>	<b>7,667</b>	<b>8,303</b>	<b>CF from Oper. activities</b>	<b>2,620</b>	<b>3,557</b>	<b>6,414</b>	<b>6,317</b>	<b>6,774</b>
Provision for tax	2,309	1,334	1,811	1,993	2,159	CF from Inv. activities	(62)	(1,914)	(474)	(540)	(541)
<b>Reported PAT</b>	<b>4,291</b>	<b>5,091</b>	<b>5,155</b>	<b>5,673</b>	<b>6,144</b>	CF from Fin. activities	(1,133)	(1,278)	(1,101)	(1,107)	(1,107)
Exceptional Item	-	-	-	-	-	Cash generated/(utilised)	1,425	365	4,839	4,671	5,126
<b>Adjusted PAT</b>	<b>4,291</b>	<b>5,091</b>	<b>5,155</b>	<b>5,673</b>	<b>6,144</b>	Cash at start of the year	17,719	19,143	22,199	27,164	31,975
						Cash at end of the year	19,143	19,508	27,037	31,835	37,101
<b>Balance Sheet</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>	<b>Ratios</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Equity capital	458	458	458	458	458	OPM	27%	27%	32%	32%	31%
Reserves	29,656	33,497	37,545	42,111	47,148	NPM	19%	22%	22%	22%	22%
<b>Net worth</b>	<b>30,113</b>	<b>33,955</b>	<b>38,002</b>	<b>42,569</b>	<b>47,606</b>	Tax rate	35%	21%	26%	26%	26%
Other Non Current Liab.	726	2,067	2,171	2,279	2,393	<b>Growth Ratios (%)</b>					
Deferred Tax Liabilities	22	-	-	-	-	Net Sales	5.74%	3.37%	5.00%	10.00%	10.00%
Total debt	25	25	25	25	25	Operating Profit	13%	1%	26%	9%	7%
<b>CAPITAL EMPLOYED</b>	<b>30,887</b>	<b>36,047</b>	<b>40,198</b>	<b>44,873</b>	<b>50,024</b>	PAT	19%	19%	1%	10%	8%
Gross block	1,315	3,161	3,211	3,311	3,411	<b>Per Share (Rs.) *</b>					
Accumulated deprn	600	1,016	1,439	1,876	2,327	<b>Net Earnings (EPS)</b>	<b>93.8</b>	<b>111.3</b>	<b>112.7</b>	<b>124.0</b>	<b>134.3</b>
Net block	714	2,145	1,771	1,434	1,084	<b>Cash Earnings (CPS)</b>	<b>418.4</b>	<b>485.2</b>	<b>593.7</b>	<b>698.9</b>	<b>814.2</b>
Capital WIP	-	8	-	-	-	Dividend	19.9	330.0	20.0	20.0	20.0
<b>Total fixed assets</b>	<b>714</b>	<b>2,153</b>	<b>1,771</b>	<b>1,434</b>	<b>1,084</b>	Book Value	658.2	742.2	830.7	930.5	1,040.6
Intangible Assets	7,824	7,274	7,274	7,274	7,274	Free Cash Flow	26.9	14.6	28.8	34.8	35.1
Investments	323	310	296	282	269	<b>Valuation Ratios</b>					
Other non current assets	3,508	4,187	4,071	4,227	4,398	P/E(x)	48.2	40.6	40.1	36.4	33.6
Inventories	3,867	4,306	4,023	4,426	4,868	P/B(x)	6.9	6.1	5.4	4.9	4.3
Sundry debtors	1,717	1,720	1,857	2,043	2,247	EV/EBIDTA(x)	33.2	32.2	24.9	22.2	17.8
<b>Cash &amp; bank</b>	<b>19,143</b>	<b>22,199</b>	<b>27,164</b>	<b>31,975</b>	<b>37,249</b>	EV/SALES(x)	9.0	8.6	7.9	7.0	5.5
Loans & advances	373	248	261	274	287	Div. Yield(%)	0.4%	7.3%	0.4%	0.4%	0.4%
Other current assets	1,931	1,658	1,740	1,827	1,919	FCF Yield(%)	0.6%	0.3%	0.6%	0.8%	0.8%
Other liabilities	4,359	4,268	4,333	4,766	5,243	<b>Return Ratios (%)</b>					
Provisions	971	1,056	1,109	1,164	1,222	ROIC	40	44	49	55	61
<b>Working capital</b>	<b>18,517</b>	<b>22,124</b>	<b>26,787</b>	<b>31,657</b>	<b>36,999</b>	ROE	14	13	14	15	14
Miscellaneous exp.	-	-	-	-	-	ROCE	21.4	18.1	17.6	17.4	16.8
<b>CAPITAL DEPLOYED</b>	<b>30,887</b>	<b>36,047</b>	<b>40,198</b>	<b>44,873</b>	<b>50,024</b>						

Source: Dalal &amp; Broacha Research, Company

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