

Spurt in demand for anti infectives improves profitability



Pfizer India Q4FY21 results were in line with estimates. Better than industry sales growth and yoy profitability improvement augurs well for Pfizer. Q4 is normally the weakest quarter for Pfizer. The company has declared a total dividend of Rs 35 per share (350%).

- Sales came in at Rs 5348 mn +7% yoy, 3% below our estimate.
- EBITDA came in at Rs 1257 mn +16% yoy/-36% qoq.
- EBITDA margins were at 23.5% (+180 bps yoy/-970 bps qoq)
- PAT came in at Rs 1006 mn -2% yoy/-26% qoq.
- EPS for the quarter was at Rs 22.4 vs our estimate of Rs 22.

Key Developments

- Amongst Pfizer's top 10 brands, **Becosules, Gelusil MPS, Mucaine, Minipress XI, Wysolone and Eliquis** grew during the quarter.
- During Q4FY21, Pfizer India completed the winding down of its Consumer Health business comprising 2 brands 'ANACIN' and 'ANNE FRENCH'. The compensation of Rs 275 mn, net of intangibles write off of Rs 31.2 mn have been included in 'Other Income'.
- FY22 beginning with the second wave of Covid19 has spurred up demand for anti infectives, vitamins, gastroenterology.
- Pfizer is in talks with Government of India for its Covid19 vaccine. Supply of Pfizer's vaccine for the Indian market will provide an upside to our estimates.

Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	5105	0

Market data

Current price	Rs	5130
Market Cap (Rs.Bn)	(Rs Bn)	235
Market Cap (US\$ Mn)	(US\$ Mn)	3245
Face Value	Rs	10
52 Weeks High/Low	Rs	5875/3940
Average Daily Volume	('000)	76
BSE Code		500680
Bloomberg		PFIZER:IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-21	Dec-20
Promoters	63.92	63.92
FII	1.89	1.87
DII	14.64	14.31
Others	19.55	19.89
Total	100	100

Source: BSE

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net sales	20,815	21,517	22,386	25,743	28,318
EBITDA	5,652	5,726	7,121	8,387	9,424
Adjusted net profit	4,291	5,091	4,976	5,899	6,684
Free cash flow	1229	670	2367	2406	2461
EPS (Rs)	93.8	111.3	108.8	128.9	146.1
growth (%)	19%	19%	-2%	19%	13%
P/E (x)	54.7	46.1	47.2	39.8	35.1
P/B (x)	7.8	6.9	6.3	5.7	5.1
EV/EBITDA (x)	38.1	37.1	29.3	24.3	18.8
D/E	0	0	0	0	0
RoIC (%)	40	44	48	58	67
RoE (%)	14	13	14	15	13
Dividend yield (%)	0.4	6.4	0.7	0.6	0.6

Source: Company

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Key Highlights

Particulars (Rs. mn)	Q4FY21	Q3FY21	Q4FY20	% yoy	% qoq	FY21	FY20	% growth
Net Sales	5348	5935	5020	7%	-10%	22386	21517	4%
Raw material costs	1958	2126	1912			7977	7924	
Employee costs	948	941	1007			3611	3645	
Other Expenses	1184	900	1015			3676	4222	
Total Expenses	4090	3967	3933	4%	3%	15264	15791	
EBITDA	1257	1968	1087	16%	-36%	7121	5726	24%
EBITDA margins	23.5%	33.2%	21.7%			31.8%	26.6%	
Interest	35	39	36			151	109	
Depreciation	273	272	284			1094	1032	
Other Income	372	146	452			811	1840	
Profit before tax	1321	1803	1219	8%	-27%	6687	6425	4%
Tax	315	390	189			1711	1334	
Profit after tax	1006	1412	1030	-2%	-29%	4976	5091	-2%
PAT margins	18.8%	23.8%	20.5%			22.2%	23.7%	
Equity	457.5	457.5	457.5			457.5	457.5	
Earnings per share	22.0	30.9	22.5			108.8	111.3	

Yoy EBITDA margin improvement from better mix

Other Income was 18% lower at Rs 372 mn in view of lower interest income.

De-growth in PAT due to 15% tax rate in Q4FY20.

Profitability	Q4FY21	Q3FY21	Q4FY20	bps +/-	bps +/-	q1FY21	FY20	bps +/-
Gross margin	63.4	64.2	61.9	147	-79	64.4	63.2	119
EBITDA margin	23.5	33.2	21.7	186	-964	31.8	26.6	520
PBT margin	24.7	30.4	24.3	42	-567	29.9	29.9	1
PAT margin	23.9	21.6	15.5	838	223	25.6	20.8	483

Expenses contribution to sales	Q4FY21	Q3FY21	Q4FY20	FY21	FY20
Raw materials	37	36	38	36	37
Employee costs	18	16	20	16	17
Other expenses	22	15	20	16	20
Tax as % to PBT	24	22	15	26	21

Source: Dalal & Broacha Research, Company

Valuation & Outlook

The second wave hitting India has spurred up the demand for anti infectives, vitamins and gastroenterology products. We believe the second wave will benefit Pfizer through Becosules, Gelusil MPS, Mucaine. Pfizer's chronic products like Eliquis, Minipress XI also continue to grow.

We have revised our estimates of Sales/EBITDA/PAT for FY22E by 4%/7%/4% and 4%/12%/9% for FY23E in view of the higher demand in India.

Pfizer is also in talks with Government of India to supply its vaccine in the Indian market. If approved, the vaccine sales will provide an upside to our estimates.

At Rs 5129, Pfizer trades at 35x FY23E EPS of Rs 146.1. **We maintain BUY on Dips.**

Financials

P&L (Rs mn)	FY19	FY20	FY21	FY22E	FY23E	Cash Flow St. (Rs. mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	20,815	21,517	22,386	25,743	28,318	Net Profit	4,291	5,091	4,976	5,899	6,684
Raw materials	7,479	7,924	7,977	9,268	10,194	Add: Dep. & Amort.	714	1,032	1,094	1,149	1,206
Employee costs	3,238	3,645	3,611	3,972	4,170	Cash profits	5,004	6,124	6,070	7,048	7,890
Other Expenses	4,446	4,222	3,676	4,117	4,529	(Inc)/Dec in					
Cost of sales	15,163	15,791	15,264	17,357	18,894	-Sundry debtors	(169)	(4)	(120)	(276)	(212)
Operating Profit	5,652	5,726	7,121	8,387	9,424	-Inventories	(896)	(439)	319	(598)	(458)
Depreciation	714	1,032	1,094	1,149	1,206	-Loans/advances	293	123	(12)	(13)	(14)
PBIT	4,938	4,693	6,027	7,238	8,218	-Sundry creditors	(658)	(1,848)	260	871	680
Other income	1,674	1,840	811	892	982	-Others	(955)	(398)	27	(243)	(263)
Interest	13	109	151	159	167	Change in working capital	(2,385)	(2,567)	474	(259)	(267)
Profit before tax	6,599	6,425	6,687	7,971	9,033	CF from Oper. activities	2,620	3,557	6,544	6,789	7,624
Provision for tax	2,309	1,334	1,711	2,073	2,348	CF from Inv. activities	(62)	(1,914)	(691)	(798)	(843)
Reported PAT	4,291	5,091	4,976	5,899	6,684	CF from Fin. activities	(1,133)	(1,278)	(1,931)	(1,661)	(1,661)
Exceptional Item	-	-	-	-	-	Cash generated/(utilised)	1,425	365	3,922	4,330	5,120
Adjusted PAT	4,291	5,091	4,976	5,899	6,684	Cash at start of the year	17,719	19,143	22,199	26,247	30,718
						Cash at end of the year	19,143	19,508	26,121	30,578	35,838
Balance Sheet	FY19	FY20	FY21	FY22E	FY23E	Ratios	FY19	FY20	FY21	FY22E	FY23E
Equity capital	458	458	458	458	458	OPM	27%	27%	32%	33%	33%
Reserves	29,656	33,497	36,536	40,774	45,798	NPM	19%	22%	21%	22%	23%
Net worth	30,113	33,955	36,993	41,232	46,255	Tax rate	35%	21%	26%	26%	26%
Other Non Current Liab.	726	2,067	2,171	2,279	2,393	Growth Ratios (%)					
Deferred Tax Liabilities	22	-	-	-	-	Net Sales	5.74%	3.37%	4.04%	15.00%	10.00%
Total debt	25	25	25	25	25	Operating Profit	13%	1%	24%	18%	12%
CAPITAL EMPLOYED	30,887	36,047	39,189	43,536	48,673	PAT	19%	19%	-2%	19%	13%
Gross block	1,315	3,161	3,211	3,311	3,411	Per Share (Rs.) *					
Accumulated deprn	600	1,016	1,439	1,876	2,327	Net Earnings (EPS)	93.8	111.3	108.8	128.9	146.1
Net block	714	2,145	1,771	1,434	1,084	Cash Earnings (CPS)	418.4	485.2	573.7	671.4	786.6
Capital WIP	-	8	-	-	-	Dividend	19.9	330.0	35.0	30.0	30.0
Total fixed assets	714	2,153	1,771	1,434	1,084	Book Value	658.2	742.2	808.6	901.2	1,011.0
Intangible Assets	7,824	7,274	7,274	7,274	7,274	Free Cash Flow	26.9	14.6	51.7	52.6	53.8
Investments	323	310	296	282	269	Valuation Ratios					
Other non current assets	3,508	4,187	4,071	4,227	4,398	P/E(x)	54.7	46.1	47.2	39.8	35.1
Inventories	3,867	4,306	3,986	4,584	5,043	P/B(x)	7.8	6.9	6.3	5.7	5.1
Sundry debtors	1,717	1,720	1,840	2,116	2,327	EV/EBIDTA(x)	38.1	37.1	29.3	24.3	18.8
Cash & bank	19,143	22,199	26,247	30,718	35,986	EV/SALES(x)	10.4	9.9	9.3	7.9	6.3
Loans & advances	373	248	261	274	287	Div. Yield(%)	0.4%	6.4%	0.7%	0.6%	0.6%
Other current assets	1,931	1,658	1,740	1,827	1,919	FCF Yield(%)	0.5%	0.3%	1.0%	1.0%	1.0%
Other liabilities	4,359	4,268	4,371	5,078	5,586	Return Ratios (%)					
Provisions	971	1,056	1,109	1,164	1,222	ROIC	40	44	48	58	67
Working capital	18,517	22,124	25,778	30,320	35,649	ROE	14	13	14	15	13
Miscellaneous exp.	-	-	-	-	-	ROCE	21.4	18.1	17.4	18.7	18.9
CAPITAL DEPLOYED	30,887	36,047	39,189	43,536	48,673						

Source: Dalal & Broacha Research, Company

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