



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst Name – Charulata Gaidhani – 02267144146

Q2FY21 Result Update@ Dalal & Broacha

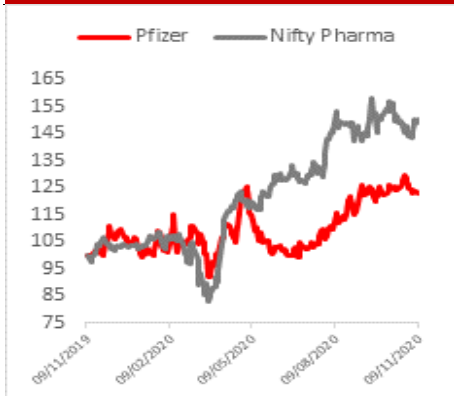
BUY on Dips

Current Price	5130
Target Price	5119
Upside	0%
52 Week Range	3588/5875

Key Share Data

Market Cap (Rs.bn)	231
Market Cap (US\$ mn)	3108
No of o/s shares (mn)	46
Face Value	10
Monthly Avg.vol (BSE+NSE) Nos'000	37
BSE Code	500680
NSE Code	PFIZER
Bloomberg	PFIZER:IN

Price performance



% Shareholding

	Sep-20	Jun-20
Promoters	63.92	63.92
FII	1.93	2.51
DII	14.96	14.40
Others	19.18	19.16
Total	100	100

Pfizer India Q2FY21 results were better than estimates. Higher sales from better reach due to a larger distribution network and better sales mix improved profitability.

- **Sales** +5% yoy/+16% qoq to Rs 5954 mn, 3% higher than our estimate and higher than IPM. Adjusting for divesture of rights and interests in some brands and Covid19, sales growth was at 10% yoy.
- **Gross Profit** +7% yoy/+14% qoq at Rs 3835 mn, due to 19% qoq increase in material costs.
- **Gross margins** at 64.4%, **+110 bps yoy/-110 bps qoq from better sales mix.**
- **EBITDA** +24% yoy/+9% qoq to Rs 2032 mn marginally above our estimate of Rs 1996 mn, **due to improved gross margins and 12% lower other expenses. Sequentially other expenses +44% in view of higher sales promotion expenses.**
- **EBITDA margins 34.1%, +501 bps yoy/ -210 bps qoq)**
- **PBT +1% Rs 1829 mn due to +10% depreciation and +80% finance costs due to adjustments of lease rent as per Ind AS 116.**
- **After higher tax @28%, PAT degrew 15% to Rs 1313.7. EPS for the quarter was at Rs 28.7.**

Key Developments

1. Growth brands during the quarter were Becosules, Gelusil MPS, Mucaine, Minipress XL and Wysolone.
2. Hospital & vaccine business improved qoq due to the easing of lockdown.

At Rs 5130, Pfizer trades at 41x FY22E EPS of Rs 124. We have marginally increased our estimates in view of the higher profitability in H1FY21.

We maintain our BUY on Dips rating on the stock.

Financials (INR Mn)

Year	Sales	% Growth	EBIDTA	OPM (%)	PAT	% Growth	EPS	PE (x)	RoE (%)
FY17	19,663	-2%	3,491	17.8%	3,368	10%	73.6	70	5.1
FY18	19,685	0%	5,003	25.4%	3,601	7%	78.7	65	14.1
FY19	20,815	6%	5,652	27.2%	4,291	19%	93.8	55	13.9
FY20	21,517	3%	5,726	26.6%	5,091	19%	111.3	46	13.4
FY21E	22,592	5%	7,221	32.0%	5,155	1%	112.7	46	14.2
FY22E	24,852	10%	7,867	31.7%	5,673	10%	124.0	41	15.0



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Particulars (Rs. mn)	Q2FY21	Q1FY21	Q2FY20	% yoy	% qoq	H1FY21	H1FY20	% growth
Net Sales	5954	5149	5671	5%	16%	11103	11115	0%
Raw material costs	2118	1776	2094			3894	4005	
Employee costs	862	859	862			1721	1739	
Other Expenses	941	651	1072			1592	2067	
Total Expenses	3921	3286	4029	-3%	19%	7207	7811	
EBITDA	2033	1863	1642	24%	9%	3896	3304	18%
EBITDA margins	34.1%	36.2%	29.0%			35.1%	29.7%	
Interest	47	30	26			77	48	
Depreciation	277	271	251			549	501	
Other Income	122	172	448			294	806	
Profit before tax	1830	1733	1812	1%	6%	3564	3561	0%
Tax	517	489	269			1006	890	
Profit after tax	1314	1245	1543	-15%	6%	2558	2671	-4%
PAT margins	22.1%	24.2%	27.2%			23.0%	24.0%	
Equity	457.5	457.5	457.5			457.5	457.5	
Earnings per share	28.7	27.2	33.7			55.9	58.4	

We have marginally revised our estimates in view of the improved profitability in the first half.

	FY21E	FY21E(Old)	Var %	FY22E	FY22E (Old)	Var %
Sales	22,592	22592		24,852	24852	
EBITDA	7,221	6887	5%	7,867	7494	5%
OPM	32.0%	30.50%		31.7%	30.20%	
PAT	5,155	4847	6%	5,673	5337	6%

We have valued Pfizer as a weighted average of 30x EV/EBITDA and 40x P/E FY22E EPS of Rs 124, and arrived at a target price of Rs 5119.



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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	5,155	5,673
Raw materials	7,965	7,397	7,479	7,924	7,907	8,698	Add: Dep. & Amort.	629	663	714	1,032	878	891
Employee costs	3,039	3,143	3,238	3,645	3,791	4,246	Cash profits	3,997	4,263	5,004	6,124	6,032	6,564
Other Expenses	5,168	4,143	4,446	4,222	3,673	4,040	(Inc)/Dec in						
Cost of sales	16,171	14,682	15,163	15,791	15,371	16,984	-Sundry debtors	215	(340)	(169)	(4)	(137)	(186)
Operating Profit	3,491	5,003	5,652	5,726	7,221	7,867	-Inventories	388	248	(896)	(439)	283	(402)
Depreciation	629	663	714	1,032	878	891	-Loans/advances	(22)	(308)	293	123	(12)	(13)
PBIT	2,862	4,340	4,938	4,693	6,344	6,977	-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	6,966	7,667	CF from Oper. activities	6,064	4,476	2,620	3,557	6,414	6,317
Provision for tax	1,801	1,878	2,309	1,334	1,811	1,993	CF from Inv. activities	(158)	(1,001)	(62)	(1,914)	(474)	(540)
Reported PAT	2,064	3,601	4,291	5,091	5,155	5,673	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	4,839	4,671
Adjusted PAT	3,368	3,601	4,291	5,091	5,155	5,673	Cash at start of the year	10,247	15,231	17,719	19,143	22,199	27,164
							Cash at end of the year	15,231	17,719	19,143	19,508	27,037	31,835
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%	32%	32%
Reserves	23,731	26,375	29,656	33,497	37,545	42,111	NPM	16%	17%	19%	22%	22%	22%
Net worth	24,189	26,832	30,113	33,955	38,002	42,569	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%	26%	9%
CAPITAL EMPLOYED	25,112	27,665	30,887	36,047	40,198	44,873	PAT	10%	7%	19%	19%	1%	10%
Gross block	1,140	1,261	1,315	3,161	3,211	3,311	Per Share (Rs.) *						
Accumulated deprn	308	446	600	1,016	1,439	1,876	Net Earnings (EPS)	73.6	78.7	93.8	111.3	112.7	124.0
Net block	833	815	714	2,145	1,771	1,434	Cash Earnings (CPS)	332.9	387.3	418.4	485.2	593.7	698.9
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	1,771	1,434	Book Value	528.7	586.5	658.2	742.2	830.7	930.5
Intangible Assets	7,838	8,351	7,824	7,274	7,274	7,274	Free Cash Flow	(10.1)	51.5	26.9	14.6	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)	69.7	65.2	54.7	46.1	45.5	41.4
Inventories	3,219	2,971	3,867	4,306	4,023	4,426	P/B(x)	9.7	8.7	7.8	6.9	6.2	5.5
Sundry debtors	1,208	1,548	1,717	1,720	1,857	2,043	EV/EBIDTA(x)	62.9	43.4	38.1	37.1	28.7	25.8
Cash & bank	15,231	17,719	19,143	22,199	27,164	31,975	EV/SALES(x)	11.2	11.0	10.4	9.9	9.2	8.2
Loans & advances	354	550	373	248	261	274	Div. Yield(%)	0.3%	0.4%	0.4%	6.4%	0.4%	0.4%
Other current assets	589	1,243	1,931	1,658	1,740	1,827	FCF Yield(%)	-0.2%	1.0%	0.5%	0.3%	0.6%	0.7%
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	26,787	31,657	ROCE	15%	20%	21%	18%	18%	17%
Miscellaneous exp.	-	-	-	-	-	-							
CAPITAL DEPLOYED	25,112	27,665	30,887	36,047	40,198	44,873							



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