

Wyeth Limited	CMP Rs. 622.45 BUY	Result Update Q1FY10
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Q1 Result Update

Wyeth Ltd. reported stellar set of numbers for the first quarter of the current financial year. The Indian arm of the US pharma major saw its top-line rise by more than 28% Q-o-Q from Rs. 892.9 Mn. for Q4FY09 to Rs. 1,146.7 Mn. for Q1FY10. With 70% Q-o-Q jump in Advertising & Sales Promotion Expenses, Wyeth reported a 60% rise in Operating Profits for the first quarter ended 30th June 2009 to Rs. 388.6 Mn. Operating Profit margins improved by more than 668 bps to 33.89% for Q1FY10. The company paid 40% higher Taxes Q-o-Q, at an effective tax rate of 30.7% for Q1FY10, thereby reporting almost 58% rise in its bottom-line from Rs. 185 Mn. for Q4FY09 to Rs. 291.5 Mn. for Q1FY10. The PAT margins improved by 470 bps Q-o-Q. EPS for the quarter stood at Rs. 12.83 vis-à-vis Rs. 8.14 for the preceding quarter.

In comparison to the year ago period, the 51% subsidiary of Wyeth Pharmaceuticals Inc. US, saw its top-line grow by close to 22% Y-o-Y from Rs. 941.5 Mn. for Q1FY09 to Rs. 1,146.7 Mn. for Q1FY10. However, the company also saw a sharp rise in Cost of Materials & Advertising Expenses to the tune of 41% & 84% respectively, over the year ago period. With 19% increase in Total Expenditures, Wyeth Ltd. reported a 11.7% Y-o-Y increase in Operating Profits. However, OPM decreased by more than 300 bps Y-o-Y from 36.96% for Q1FY09 to 33.89% for Q1FY10. Reported Profits stood at Rs. 291.5 Mn. as against Rs. 265.5 Mn. for the same period last year, a growth of close to 10% Y-o-Y. However, the pharmaceutical company witnessed significant pressures on its reported margins compared to the same quarter last year. We are still awaiting the Annual Reports for full year ended 31st March 2009.

Operating Performance

Wyeth Ltd. is in talks with the Government of India to incorporate its 7-in-1 pneumococcal conjugate vaccine – Pevnar, into the National Immunisation Programme. The Union Health Ministry's National Technical Advisory Group on Immunisation is also evaluating the efficacy of the vaccine. The vaccine already features on the National immunization Drug Lists of close to about 35 countries. About 3 years ago, Wyeth had launched this vaccine in the country to protect children from diseases such as meningitis, bacterial pneumonia, septicaemia etc.

The MNC pharma has also roped in the Indian film industry's choreographer-turned-director Farah Khan, to be the face in the fight against pneumococcal disease, helping create awareness about this little-known disease.

In our last result update for the company, we had mentioned that Wyeth Ltd. had been given the go-ahead by the country's drug regulator DGCI, to resume clinical trials for its Pevnar 13 (Pneumococcal 13-valent conjugate vaccine). We now learn that the company has resumed clinical trials at all 12 centers across the country on this advanced version of the pneumococcal vaccine – Pevnar 13.

Also, we learn that the parent company – Wyeth Pharmaceuticals Inc. US, has received an approval for Pevnar 13 from the Chilean Ministry of Health, MINSAL. Chile has become the first country to approve Pevnar 13 Valent for infants & young children, & the company expects to commercially launch the vaccine in Chile later in 2009. The company had initiated its global pediatric filings in late 2008, & to date has submitted regulatory applications for Pevnar 13 in more than 50 countries spanning six continents. This is a very positive step for the company.

Our View

We continue to remain positive about the future performance of Wyeth Ltd. The company's performance supports our stance. Besides, healthy cash flows, miniscule debt & decent dividend yields add to the defensive flavor of the stock. At CMP of Rs. 622.45, the scrip trades at 13x FY10E earnings of Rs. 47.7. Maintain BUY.

Wyeth: Q1FY10 Quarterly Analysis

Earnings Statement					
YE March (Rs. Mn.)	Q1FY10	Q4FY09	Q-Q(%)	Q1FY09	Y-Y(%)
Net Revenues	1,146.7	892.9	28.4%	941.5	21.8%
Cost of Materials	333.3	261.7	27.4%	236.0	41.2%
Gross Profit	813.4	631.2	28.9%	705.5	15.3%
Advertising & Sales Promotion	94.2	55.4	70.0%	51.2	84.0%
Employee Cost	125.5	134.8	-6.9%	116.4	7.8%
Other Expenditure	205.1	198.1	3.5%	189.9	8.0%
Total Expenditure	424.8	388.3	9.4%	357.5	18.8%
Operating Profit	388.6	242.9	60.0%	348.0	11.7%
OPM (%)	33.89%	27.20%	668.5	36.96%	(307.4)
Other Income	51.1	54.1	-5.5%	55.1	-7.3%
EBITDA	439.7	297.0	48.0%	403.1	9.1%
Depreciation	18.0	18.2	-1.1%	16.2	11.1%
EBIT	421.7	278.8	51.3%	386.9	9.0%
Interest	1.0	1.5	-33.3%	0.9	11.1%
PBT	420.7	277.3	51.7%	386.0	9.0%
Tax	129.2	92.3	40.0%	120.5	7.2%
Current Tax	123.5	85.0	45.3%	115.0	7.4%
Fringe Benefit Tax	3.0	3.0	0.0%	4.0	-25.0%
Deferred tax	2.7	4.3	-37.2%	1.5	80.0%
PAT	291.5	185.0	57.6%	265.5	9.8%
Equity Capital	227.2	227.2		227.2	
EPS	12.83	8.14	57.6%	11.69	9.8%
Ratio Analysis					
Profitability					
YE March (Rs. Mn.)	Q1FY10	Q4FY09	Q-Q(%)	Q1FY09	Y-Y(%)
OPM (%)	33.9%	27.2%	668.5	37.0%	(307.4)
EBITDA (%)	38.3%	33.3%	508.2	42.8%	(447.0)
EBIT (%)	36.8%	31.2%	555.1	41.1%	(431.9)
PAT (%)	25.4%	20.7%	470.2	28.2%	(277.9)
Operational Parameters					
YE March (Rs. Mn.)	Q1FY10	Q4FY09	Q-Q(%)	Q1FY09	Y-Y(%)
RM Consumed	29.1%	29.3%	(24.3)	25.1%	400.0
Advertising & Sales Promotion	8.2%	6.2%	201.0	5.4%	277.7
Employee Cost	10.9%	15.1%	(415.2)	12.4%	(141.9)
Other Expenditure	17.9%	22.2%	(430.0)	20.2%	(228.4)
Effective Tax rate	30.7%	33.3%	(257.5)	31.2%	(50.7)

Wyeth : Main Financials

Earnings Statement						
Particulars (Rs. Mn.)	FY05	FY06	FY07	FY08	FY09A	FY10E
Total Revenues	2,588.2	2,872.9	2,903.8	3,313.2	3,826.6	4,271.0
- Growth (%)		11.0%	1.1%	14.1%	15.5%	11.6%
Total Expenditure	2,444.1	2,170.3	1,877.9	2,256.5	2,545.6	2,895.8
Operating Profit	144.1	702.5	1,025.8	1,056.7	1,281.0	1,375.2
Forex Gain/(Loss)	(1.5)	(2.4)	3.6	0.2	0.0	0.0
Other Income	81.1	91.1	124.5	189.0	215.1	246.8
EBITDA	223.7	791.3	1,153.9	1,246.0	1,496.1	1,622.1
Depreciation	74.8	61.6	62.1	64.7	68.5	69.1
EBIT	148.9	729.6	1,091.8	1,181.3	1,427.6	1,552.9
Interest	3.9	2.8	3.5	3.9	4.0	4.0
PBT	144.9	726.8	1,088.3	1,177.4	1,423.6	1,548.9
Tax	70.4	161.5	187.5	362.8	426.9	464.7
PAT Before EI	74.5	565.3	900.8	814.7	996.7	1,084.3
- Growth (%)		658.3%	59.4%	-9.6%	22.3%	8.8%
Extra-ordinary Items	315.5	111.9	22.7	0.1	0.0	0.0
PAT	390.1	677.2	923.6	814.8	996.7	1,084.3

Ratio Analysis						
Particulars	FY05	FY06	FY07	FY08	FY09E	FY10E
OPM (%)	5.6%	24.5%	35.3%	31.9%	33.5%	32.2%
EBITDA (%)	8.6%	27.5%	39.7%	37.6%	39.1%	38.0%
PBIT (%)	5.8%	25.4%	37.6%	35.7%	37.3%	36.4%
PAT (%)	15.1%	23.6%	31.8%	24.6%	26.0%	25.4%
Interest Cover (x)	38.0	258.4	312.1	304.5	356.9	387.9
EPS (Rs.)	17.2	29.8	40.7	35.9	43.9	47.7
P/E (x)	35.2	20.3	14.9	16.9	13.8	12.7
P/BV (x)	5.7	5.6	5.4	5.3	5.1	4.7
BVPS (Rs.)	106.8	108.0	113.0	113.7	119.6	129.3
Market Cap (Rs. Mn.)	13,745.6	13,745.6	13,745.6	13,745.6	13,745.6	13,745.6
M Cap/Sales (x)	5.3	4.8	4.7	4.1	3.6	3.2
EV (Rs. Mn.)	12,129.3	11,936.3	11,658.9	11,474.4	11,172.4	10,845.8
EV/EBITDA (x)	81.5	16.4	10.7	9.7	7.8	7.0
EV/Sales (x)	4.7	4.2	4.0	3.5	2.9	2.5
ROCE (%)	6.1%	29.4%	42.1%	45.3%	52.1%	52.4%
RONW (%)	3.1%	23.0%	35.1%	31.5%	36.7%	36.9%
Debt/Equity Ratio (x)	0.0	0.0	0.0	0.0	0.0	0.0
Inventory T/o Days	68.2	55.6	58.1	43.5	40.0	40.0
Debtors T/o Days	19.5	24.8	24.2	24.6	24.0	24.0
Advances T/o Days	93.1	57.7	61.5	57.0	60.0	60.0
Creditors T/o Days	81.2	42.4	39.4	45.4	50.0	50.0
Working Cap T/o Days	245.2	237.0	256.5	232.9	221.8	224.0
Fixed Assets T/o (Gross)	2.9	3.8	3.8	4.3	5.0	5.6
DPS (Rs.)	20.0	25.0	30.0	30.0	32.5	32.5
Dividend Payout (%)	116.5%	83.9%	73.8%	83.7%	74.1%	68.1%
Dividend Yield (%)	3.3%	4.1%	5.0%	5.0%	5.4%	5.4%

Wyeth : Main Financials

Balance Sheet						
Particulars (Rs. Mn.)	FY05	FY06	FY07	FY08	FY09E	FY10E
Equity Capital	227.2	227.2	227.2	227.2	227.2	227.2
Reserves	2,199.1	2,227.2	2,339.4	2,356.8	2,489.6	2,710.0
Shareholders Funds	2,426.3	2,454.4	2,566.6	2,584.0	2,716.8	2,937.3
Minority Interest						
Borrowed Funds	25.0	25.0	25.0	25.0	25.0	25.0
Deferred Tax Liability	(186.3)	(138.1)	(108.2)	(73.3)	(55.4)	(39.9)
Total Liabilities	2,265.1	2,341.2	2,483.5	2,535.7	2,686.4	2,922.3
Fixed Assets	526.5	473.6	440.3	419.3	360.8	301.7
Investments	0.0	2.4	2.4	2.4	0.0	0.0
Current Assets						
Inventory	483.5	437.4	462.4	395.2	419.4	468.1
Sundry Debtors	138.5	195.4	192.7	223.7	251.6	280.8
Loans & Advances	659.9	453.9	489.0	517.7	629.0	702.1
Cash & Bank Balance	1,641.3	1,834.3	2,111.7	2,296.2	2,598.2	2,924.9
Current Liabilities						
Sundry Creditors	576.1	333.8	313.4	412.0	524.2	585.1
Provisions	608.4	721.9	901.6	906.8	1,048.4	1,170.1
Net Current Assets	1,738.6	1,865.3	2,040.8	2,114.1	2,325.6	2,620.7
Miscellaneous Expenditure						
Total Assets	2,265.1	2,341.2	2,483.5	2,535.7	2,686.4	2,922.3

Cash Flow						
Particulars (Rs. Mn.)	FY05	FY06	FY07	FY08	FY09E	FY10E
Opening Cash & Bank	1,116.8	1,641.3	1,834.3	2,111.7	2,296.2	2,598.2
Profit After Tax	390.1	677.2	923.6	814.8	996.7	1,084.3
Investment Income	(81.1)	(91.1)	(124.5)	(189.0)	(215.1)	(246.8)
Interest Paid	3.9	2.8	3.5	3.9	4.0	4.0
Miscellaneous Exp W/Off	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	74.8	61.6	62.1	64.7	68.5	69.1
Deferred Taxation	(84.2)	48.1	37.0	34.9	17.9	15.5
Others	325.0	(140.3)	(44.0)	(9.7)	0.0	0.0
Change in Working Cap	369.0	66.3	101.9	111.2	90.4	31.7
CF - Operating Activities	997.5	624.7	959.5	830.7	962.4	957.7
Change in Fixed Assets	(31.4)	131.5	8.2	(33.9)	(10.0)	(10.0)
Change in Investments	0.0	(2.4)	0.0	0.0	2.4	0.0
Investment Income	81.1	91.1	124.5	189.0	215.1	246.8
CF - Investing Activities	49.6	220.3	132.7	155.1	207.5	236.8
Increase in Equity	0.0	(1.5)	(13.8)	0.0	0.0	0.0
Changes in Borrowings	0.0	0.0	0.0	0.0	0.0	0.0
Interest Paid	(3.9)	(2.8)	(3.5)	(3.9)	(4.0)	(4.0)
Dividend Paid	(518.7)	(647.7)	(797.4)	(797.4)	(863.9)	(863.9)
CF - Financing Activities	(522.6)	(652.0)	(814.8)	(801.3)	(867.9)	(867.9)
Net Change in Cash	524.5	193.0	277.4	184.5	302.0	326.7
Closing Cash & Bank Balance	1,641.3	1,834.3	2,111.7	2,296.2	2,598.2	2,924.9

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Disclosure of Interest Statement

1. Analyst Ownership of the scrip
2. PPFAS ownership of the scrip
3. PMS ownership of the scrip

Wyeth Limited

NO
YES
YES

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