

## Exemplary performance with strong margins...

**About the stock:** Pfizer collectively addresses 15 therapy areas with a portfolio of over 150 products that include therapeutics & vaccines. The company has been continuously restructuring its portfolio in the last few years to improve the productivity of its core brands

- Fourth largest multinational pharma company in India
- Manufacturing facility in Goa with run rate of 1 billion tablets per annum

**Q2CY21 Results:** Pfizer Ltd reported exemplary Q1FY22 results.

- Sales were up 45.5% YoY to ₹ 749.2 crore
- EBITDA in Q1FY22 was at ₹ 285.7 crore, up 53% YoY with margins at 38.1%
- Consequent PAT was at ₹ 199.9 crore (up 60.6% YoY)

**What should investors do?** Pfizer's share price has grown by ~2.9x over the past five years (from ~₹ 1895 in June 2016 to ~₹ 5670 levels in June 2021).

- We remain positive but change our rating from BUY to HOLD on the stock due to recent run up.

**Target Price and Valuation:** We value Pfizer at ₹ 6690 i.e. 40x P/E on FY23E EPS

### Key triggers for future price performance:

- Pfizer India is a net debt-free company, healthy core RoE of ~34% in FY21
- Strong brand recall, consistent new product launches and acquisition of new brands, volume growth in top brands and intermittent price hikes provide comfort on the financials front
- Pfizer is following a measured approach with de-focusing and hiving off of tail brands and focusing on core strengths areas such as vaccines, pain management, vitamins, GI and CVS

**Alternate Stock Idea:** Apart from Pfizer, among MNC coverage we like Abbott.

- We continue to believe in Abbott's strong growth track in power brands and capability in new launches on a fairly consistent basis
- BUY with a target price of ₹ 19235

### Key Financial Summary

Key Financials (₹ Crore)	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	2 year CAGR (FY21-23E)
Revenues	2081.5	2151.7	2238.6	2.2	2743.3	2945.2	14.7
EBITDA	565.2	572.6	712.1	10.5	948.9	998.6	18.4
EBITDA margins (%)	27.2	26.6	31.8		34.6	33.9	
Net Profit	429.1	509.2	497.6	11.0	702.1	764.8	24.0
EPS (₹)	93.8	111.3	108.8		153.5	167.2	
PE (x)	63.2	53.3	54.5		38.6	35.5	
M.Cap/ Revenues (x)	13.0	12.6	12.1		9.9	9.2	
EV to EBITDA (x)	44.6	43.5	36.5		26.7	24.8	
RoCE (%)	21.7	18.5	27.6		31.5	28.7	
ROE (%)	14.2	15.0	20.8		23.9	21.7	



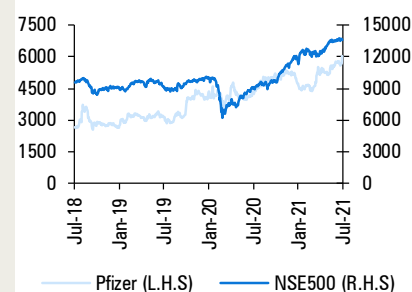
### Particulars

Particular	Amount
Market Capitalisation	₹ 27124 crore
Debt (FY21)	₹ 3 crore
Cash (FY21)	₹ 1115 crore
EV	₹ 26011 crore
52 week H/L	6108/4180
Equity capital	₹ 45.8 crore
Face value	₹ 10

### Shareholding pattern

(in %)	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Promote	63.9	63.9	63.9	63.9	63.9
Others	36.1	36.1	36.1	36.1	36.1

### Price Chart



### Recent Event & Key risks

- Launched innovative therapy Zinforo – a novel cephalosporin digitally
- **Key Risk:** (i) Addition of products to NLEM list (ii) Higher than expected competition

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## Key takeaways of recent quarter

### Q1FY22 Results: Robust performance

- Pfizer posted robust growth of 45.5% YoY in topline whereas EBITDA margins improved 196 bps YoY to 38.1% amid operations leverage. Subsequently, EBITDA grew 53.4% YoY to ₹ 285.7 crore. Adjusted PAT grew 60.6% YoY to ₹ 199.9 crore
- Reported a stellar Q1 performance, way higher than I-direct and consensus estimates, may be due to gains from certain Covid opportunities during the quarter. However, besides quarterly variations, we continue to believe in Pfizer's strong growth track record in power brands and capability in new launches on a fairly consistent basis

### Exhibit 1: Power Brands

Brand	Therapy	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21	GAGR 17-21
BECOSULES	VMS	223.6	243.3	294.8	344.2	428.3	17.6%
MUCAINE	GASTRO INTESTINAL	114.7	123.4	137.3	167.4	211.9	16.6%
GELUSIL MPS	GASTRO INTESTINAL	138.6	143.3	155.9	189.7	209.1	10.8%
MAGNEX	ANTI-INFECTIVES	143.5	157.4	190.3	199.3	192.9	7.7%
MINIPRESS XL	CARDIAC	146.1	149.6	122.4	154.4	172.4	4.2%
WYSOLONE	HARMONES	126.3	109.4	110.2	133.6	167.2	7.3%
DOLONEX	PAIN / ANALGESICS	147.8	140.4	152.4	169.5	165.7	2.9%
ELIQUIS	CARDIAC	35.4	71.2	69.4	74.0	163.3	46.6%
COREX DX	RESPIRATORY	82.4	95.0	113.2	137.7	143.8	14.9%
MERONEM	ANTI-INFECTIVES	150.9	72.2	96.5	133.9	114.8	-6.6%
Top 10 brands		1309.3	1305.2	1442.4	1703.7	1969.4	10.7%
% of AIOCD sales		44.2%	45.9%	47.6%	50.4%	51.7%	

Source: AIOCD; Company; MAT based value in ₹ crore

### Exhibit 2: Therapeutic Breakup

Therapy	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21	GAGR 17-21
ANTI-INFECTIVES	485.0	420.7	496.6	565.0	609.3	5.9%
VITAMINS / MINERALS / NUTRIENTS	283.9	301.7	365.4	427.0	556.8	18.3%
GASTRO INTESTINAL	327.2	315.4	342.4	405.6	470.9	9.5%
CARDIAC	246.9	275.8	252.4	296.8	421.0	14.3%
HORMONES	293.2	269.0	240.5	273.5	367.3	5.8%
GYNAECOLOGICAL	249.5	261.5	275.6	306.1	333.3	7.5%
NEURO / CNS	193.8	190.5	210.9	238.7	241.4	5.6%
RESPIRATORY	274.1	152.2	170.8	203.4	207.2	-6.8%
PAIN / ANALGESICS	189.0	180.0	182.3	186.9	189.3	0.0%
VACCINES	177.9	191.2	173.1	148.1	118.9	-9.6%
Top Therapies	2720.5	2558.0	2710.2	3051.1	3515.3	6.6%
Total AIOCD Sales	2965.3	2842.2	3029.5	3380.2	3812.2	6.5%

Source: AIOCD; Company; MAT based value in ₹ crore

### Exhibit 3: Financial Summary

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoE	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY20	2152	3.4	111.3	18.7	53.3	43.5	15.0	18.5
FY21	2239	4.0	108.8	-2.3	54.5	36.5	20.8	27.6
FY22E	2743	22.6	153.5	41.1	38.6	26.7	23.9	31.5
FY23E	2945	7.4	167.2	8.9	35.5	24.8	21.7	28.7

Source: ICICI Direct Research

## Financial Summary

Exhibit 4: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Total Operating Income	2,151.7	2,238.6	2,743.3	2,945.2
Growth (%)	3.4	4.0	22.6	7.4
Raw Material Expenses	792.4	797.7	991.9	1,045.7
Gross Profit	1,359.3	1,440.8	1,751.4	1,899.5
Gross Profit Margins (%)	63.2	64.4	63.8	64.5
Employee Expenses	364.5	361.1	413.4	471.2
Other Expenditure	422.2	367.6	389.1	429.6
Total Operating Expenditure	1,579.1	1,526.4	1,794.4	1,946.6
<b>EBITDA</b>	<b>572.6</b>	<b>712.1</b>	<b>948.9</b>	<b>998.6</b>
Growth (%)	1.3	24.4	33.3	5.2
Interest	10.9	15.1	9.0	9.0
Depreciation	103.2	109.4	108.0	114.6
Other Income	184.0	81.1	111.9	153.1
<b>PBT before Exceptional Item</b>	<b>642.6</b>	<b>668.7</b>	<b>943.9</b>	<b>1,028.2</b>
Less: Exceptional Items	0.0	0.0	0.0	0.0
PBT after Exceptional Items	642.6	668.7	943.9	1,028.2
Total Tax	133.4	171.1	241.7	263.3
PAT before MI	509.2	497.6	702.1	764.8
<b>PAT</b>	<b>509.2</b>	<b>497.6</b>	<b>702.1</b>	<b>764.8</b>
Growth (%)	18.7	-2.3	41.1	8.9
<b>EPS (Adjusted)</b>	<b>111.3</b>	<b>108.8</b>	<b>153.5</b>	<b>167.2</b>

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Profit/(Loss) after taxation	429.2	464.6	702.1	764.8
Add: Depreciation & Amortization	103.2	109.4	108.0	114.6
Net Increase in Current Assets	-59.5	5.4	-212.2	-82.3
Net Increase in Current Liability	7.1	-97.2	309.2	93.7
Others	-156.8	-54.9	9.0	9.0
<b>CF from Operating activities</b>	<b>323.2</b>	<b>427.3</b>	<b>916.1</b>	<b>899.9</b>
Investments	0.0	0.0	0.0	0.0
(Purchase)/Sale of Fixed Assets	-1.8	-17.6	-50.0	-50.0
Others	147.7	56.6	-41.4	-45.6
<b>CF from Investing activities</b>	<b>145.9</b>	<b>39.0</b>	<b>-91.4</b>	<b>-95.6</b>
(inc)/Dec in Loan	0.0	0.0	0.0	0.0
Dividend & Dividend tax	-124.1	-1,519.4	-160.1	-183.0
Other	-39.4	-51.7	-9.0	-9.0
CF from Financing activities	-163.5	-1,571.1	-169.1	-192.0
<b>Net Cash Flow</b>	<b>305.5</b>	<b>-1,104.8</b>	<b>655.6</b>	<b>612.3</b>
Cash and Cash Equivalent	1,914.3	2,219.9	1,115.1	1,770.7
<b>Cash</b>	<b>2,219.9</b>	<b>1,115.1</b>	<b>1,770.7</b>	<b>2,383.0</b>
<b>Free Cash Flow</b>	<b>321.4</b>	<b>409.7</b>	<b>866.1</b>	<b>849.9</b>

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Equity Capital	45.8	45.8	45.8	45.8
Reserve and Surplus	3,349.7	2,347.3	2,889.3	3,471.2
Total Shareholders funds	3,395.5	2,393.0	2,935.1	3,516.9
Total Debt	2.5	2.5	2.5	2.5
Deferred Tax Liability	0.0	0.0	0.0	0.0
Long-Term Provisions	47.8	55.8	57.0	58.1
Other Non Current Liabilities	88.7	42.7	43.5	44.4
<b>Source of Funds</b>	<b>3,534.5</b>	<b>2,494.1</b>	<b>3,038.1</b>	<b>3,621.9</b>
Gross Block - Fixed Assets	749.5	781.8	831.8	881.8
Accumulated Depreciation	335.1	444.5	552.5	667.1
Net Block	414.4	337.3	279.3	214.6
Capital WIP	0.7	2.8	2.8	2.8
Goodwill on Consolidation	527.5	527.5	527.5	527.5
Fixed Assets	942.6	867.5	809.5	744.9
Investments	31.0	29.6	29.6	29.6
Deferred Tax Assets	0.6	13.5	13.7	14.0
Long Term Loans and Advances	241.2	262.1	288.4	317.2
Other non-Current Assets	141.7	168.5	185.4	203.9
Inventory	430.6	435.1	533.2	572.4
Debtors	172.0	129.7	219.3	235.5
Loans and Advances	0.0	0.0	0.0	0.0
Other Current Assets	225.8	244.9	269.4	296.3
Cash	2,219.9	1,115.1	1,770.7	2,383.0
Total Current Assets	3,048.3	1,924.7	2,792.6	3,487.1
Creditors	426.8	283.7	544.1	584.2
Provisions	103.7	126.6	139.3	153.2
Other Current Liabilities	340.4	361.5	397.6	437.4
Total Current Liabilities	870.9	771.8	1,081.0	1,174.8
Net Current Assets	2,177.4	1,152.9	1,711.5	2,312.4
<b>Application of Funds</b>	<b>3,534.5</b>	<b>2,494.1</b>	<b>3,038.1</b>	<b>3,621.9</b>

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Per share data (₹)</b>				
Reported EPS	111.3	108.8	153.5	167.2
Cash EPS	-196.1	97.7	137.1	152.2
BV per share	742.2	523.1	641.6	768.8
Cash per Share	485.2	243.7	387.1	520.9
Dividend per share	330.0	35.0	40.0	40.0
<b>Operating Ratios (%)</b>				
Gross Profit Margins	63.2	64.4	63.8	64.5
EBITDA margins	26.6	31.8	34.6	33.9
PAT Margins	23.7	22.2	25.6	26.0
Cash Conversion Cycle	29.8	45.8	27.7	27.7
Asset Turnover	2.9	2.9	3.3	3.3
EBITDA conversion Rate	56.4	60.0	96.5	90.1
<b>Return Ratios (%)</b>				
RoE	15.0	20.8	23.9	21.7
RoCE	18.5	27.6	31.5	28.7
RoIC	35.7	44.2	67.2	72.3
Core ROE	30.9	34.2	53.2	57.4
<b>Valuation Ratios (x)</b>				
P/E	53.3	54.5	38.6	35.5
EV / EBITDA	43.5	36.5	26.7	24.8
EV / Net Sales	11.6	11.6	9.2	8.4
Market Cap / Sales	12.6	12.1	9.9	9.2
Price to Book Value	8.0	11.3	9.2	7.7
<b>Solvency Ratios</b>				
Debt / EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	1.0	1.0	0.9	0.9
Quick Ratio	0.5	0.5	0.5	0.5
Inventory days	73.0	70.9	70.9	70.9
Debtor days	29.2	21.1	29.2	29.2
Creditor days	72.4	46.3	72.4	72.4

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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