

## Slowdown in key power brands impacts sales...

**About the stock:** Pfizer collectively addresses 15 therapy areas in domestic formulations 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

### Q4FY23 Results: Margins in line but revenue missed.

- Revenue grew 4.2% to ₹ 572.6 crore
- On the operational front, EBITDA grew 10% YoY to ₹ 182 crore whereas margins grew 166 bps YoY to 31.8%
- PAT came in at ₹ 149.2 crore

**What should investors do?** Pfizer's share price has de-grown at 3.13% CAGR for the past three years.

- We maintain **HOLD** as we keep watch on uptick in power brands momentum post Covid impact and implications of the VRS scheme for the field force

**Target Price and Valuation:** Valued at ₹ 3830 i.e. 26x P/E on FY25E EPS of ₹ 147.2

### Key triggers for future price performance:

- Addressing apparent slowdown in key brands like Eliquis, Becosules, Wysolone, Mucaine among others which, after growing decently since 2020, have slowed down in FY23
- Measured approach with de-focusing and hiving off of tail brands and focus on core therapies like vaccines, pain management, VMS, GI and CVS
- Traction in key power brands after the MR rationalisation
- Overall performance in the backdrop of key patent expiries, competition in Prevnar-13

**Alternate Stock Idea:** Apart from Pfizer, among MNC coverage we like P&G Health.

- Procter & Gamble Health is a leading pharma cum OTC company with key focus on vitamins, minerals, supplement (VMS). Its recent earnings reflect sustained efforts to regain momentum via improved mix and productivity initiatives
- BUY with a target price of ₹ 5620



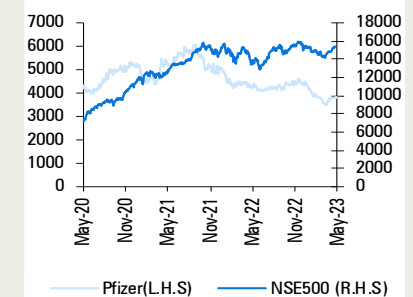
### Particulars

Particular	Amount
Market Capitalisation	₹ 19708 crore
Debt (FY23)	₹ 3 crore
Cash (FY23)	₹ 1860 crore
EV	₹ 17851 crore
52 week H/L	4662/3407
Equity capital	₹ 45.8 crore
Face value	₹ 10

### Shareholding pattern

(in %)	Jun-22	Sep-22	Dec-22	Mar-23
Promoter	63.9	63.9	63.9	63.9
Others	36.1	36.1	36.1	36.1

### Price Chart



### Recent Event & Key risks

- Announced VRS for field force
- **Key Risk:** (i) Addition of products to NLEM list (ii) Higher than expected traction in power brands

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### Key Financial Summary

Key Financials (₹ Crore)	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23	FY24E	FY25E	2 year CAGR (FY23-25E)
Revenues	2151.7	2238.6	2611.0	5.8	2424.8	2618.7	2828.2	8.0
EBITDA	572.6	712.1	835.7	19.1	808.9	891.6	962.9	9.1
EBITDA margins (%)	26.6	31.8	32.0		33.4	34.0	34.0	
Net Profit	509.2	497.6	612.6	24.3	623.9	624.4	677.2	4.2
EPS (₹)	111.3	108.8	133.2		128.5	135.7	147.2	
PE (x)	34.4	35.2	28.8		28.3	28.2	26.0	
M.Cap/ Revenues (x)	8.1	7.8	6.7		7.2	6.7	6.2	
RoCE (%)	18.5	27.6	26.1		24.8	22.7	21.6	
ROE (%)	15.0	20.8	21.4		18.4	17.1	16.3	

Source: Company, ICICI Direct Research

## Key takeaways of recent quarter

### Q4FY23 Results: Margins in line but revenue miss

- Revenue grew 4.2% to ₹ 572.6 crore. On the operational front, EBITDA grew 10% YoY to ₹ 182 crore whereas margins grew 166 bps YoY to 31.8%. PAT came in at ₹ 149.2 crore.
- Revenues growth was below I-direct expectations as most top 10 power brands registered de-growth YoY, as per IQVIA quarterly data. Margins were as per our expectations and are likely to sustain at the current level. Top brands like Magnex (anti-infective), Corex-Dx (respiratory), Dolonex (pain management), Minipress-XL (cardiac) remained top performers during Q4FY23 on a YoY basis, which was offset by de-growth from Eliquis (Cardiac), Wysolone (Hormones), Gelusil-Mps (Gastro), Becosules (VMS) etc. This was attributable to higher generic competition, high Covid base, MR recalibration among others. Going ahead, we continue to monitor progress of these power brands

### Pfizer Ltd - ESG Disclosure Score\*

Score	FY20	FY21	FY22
Environmental	16.8	16.8	21.9
Social	19.0	23.8	22.2
Governance	73.7	78.6	78.6
<b>Overall ESG Score</b>	<b>36.6</b>	<b>39.8</b>	<b>40.9</b>

Source: Bloomberg, ICICI Direct Research, \*Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures

### Exhibit 1: Power brands (₹ crore)

Brand	Therapy	Mar-20	Mar-21	Mar-22	Mar-23	CAGR 20-23	YoY
BECOSULES	VMS	297.2	375.7	373.6	322.7	2.8%	-13.6%
PREVENAR-13	VACCINES	384.7	365.6	350.8	294.5	-8.5%	-16.1%
COREX-DX	RESPIRATORY	149.9	150.3	241.9	228.5	15.1%	-5.5%
MAGNEX	ANTI-INFECTIVES	182.0	143.1	175.6	200.5	3.3%	14.2%
DOLONEX	PAIN / ANALGESICS	187.0	181.7	181.5	198.1	1.9%	9.1%
MINIPRESS-XL	CARDIAC	137.9	154.0	170.5	187.6	10.8%	10.0%
MUCAINE	GASTRO INTESTINAL	126.0	155.5	183.5	171.3	10.8%	-6.6%
WYSOLONE	HARMONES	115.8	143.3	166.1	158.2	11.0%	-4.7%
ELIQUIS	CARDIAC	70.0	118.3	165.3	133.2	23.9%	-19.4%
GELUSIL-MPS	GASTRO INTESTINAL	112.5	141.1	139.8	114.8	0.7%	-17.8%
Top 10 brands		1763.0	1928.6	2148.6	2009.5	4.5%	-6.5%
% of IQVIA sales		60.6%	62.8%	62.5%	60.6%		

Source: IQVIA, ICICI Direct Research

### Exhibit 2: Therapeutic break-up (₹ crore)

Therapy	Mar-20	Mar-21	Mar-22	Mar-23	CAGR 20-23	YoY
ANTI-INFECTIVES	430.4	354.7	443.3	511.9	5.9%	15.5%
VITAMINS/MINERALS/NUTRIENTS	388.9	484.9	497.0	433.1	3.7%	-12.8%
CARDIAC	250.5	321.1	386.9	362.3	13.1%	-6.4%
GASTRO INTESTINAL	279.0	330.0	356.3	321.4	4.8%	-9.8%
RESPIRATORY	228.1	219.6	340.5	314.2	11.3%	-7.7%
VACCINES	384.7	365.6	350.8	294.5	-8.5%	-16.1%
GYNAEC.	217.1	232.6	234.0	259.2	6.1%	10.8%
HORMONES	213.8	243.6	282.4	251.0	5.5%	-11.1%
PAIN / ANALGESICS	219.5	223.2	220.0	237.1	2.6%	7.7%
BLOOD RELATED	72.0	77.5	79.3	92.6	8.8%	16.7%
Top Therapies	2684.1	2852.7	3190.5	3077.2	4.7%	-3.6%
Total IQVIA Sales	2908.4	3071.0	3436.3	3313.8	4.4%	-3.6%

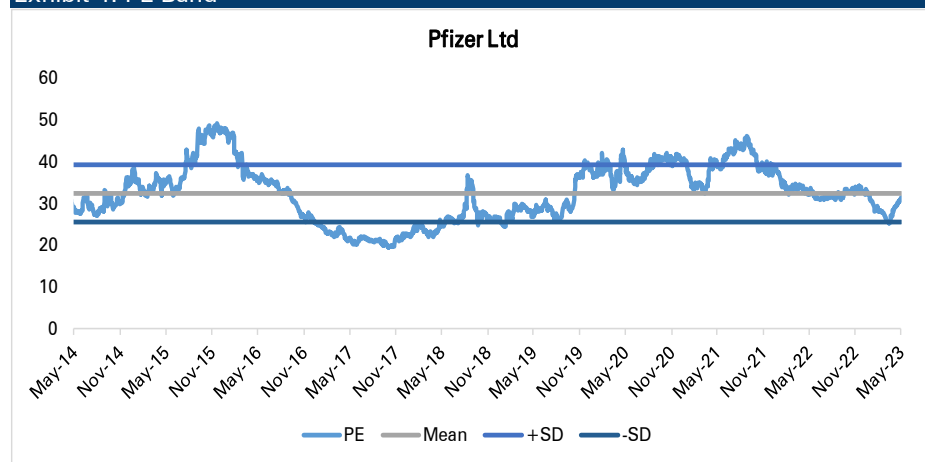
Source: IQVIA, ICICI Direct Research

Exhibit 3: Financial Summary

	Revenues (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoE (%)	RoCE (%)
FY21	2239	4.0	108.8	-2.3	35.2	23.1	20.8	27.6
FY22	2611	16.6	133.2	23.1	28.8	19.0	21.4	26.1
FY23	2425	-7.1	128.5	1.9	28.3	19.4	18.4	24.8
FY24E	2619	8.0	135.7	0.1	28.2	17.0	17.1	22.7
FY25E	2828	8.0	147.2	8.5	26.0	15.2	16.3	21.6

Source: ICICI Direct Research

Exhibit 4: PE Band



Source: ICICI Direct Research

## Financial Summary

Exhibit 5: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Total Operating Income	2,611.0	2,424.8	2,618.7	2,828.2
Growth (%)	16.6	-7.1	8.0	8.0
Raw Material Expenses	948.0	873.7	936.3	1,011.2
Gross Profit	1,663.0	1,551.1	1,682.4	1,817.0
Gross Profit Margins (%)	63.7	64.0	64.2	64.2
Employee Expenses	403.7	331.7	345.7	373.3
Other Expenditure	423.6	410.6	445.2	480.8
Total Operating Expenditure	1,775.3	1,615.9	1,727.2	1,865.3
<b>EBITDA</b>	<b>835.7</b>	<b>808.9</b>	<b>891.6</b>	<b>962.9</b>
Growth (%)	17.4	-3.2	10.2	8.0
Interest	10.5	13.4	13.4	13.4
Depreciation	115.0	105.5	119.0	125.8
Other Income	62.7	101.1	65.5	70.7
<b>PBT before Exceptional It</b>	<b>772.9</b>	<b>791.0</b>	<b>824.6</b>	<b>894.4</b>
Less: Exceptional Items	0.0	-33.0	0.0	0.0
PBT after Exceptional Items	772.9	824.0	824.6	894.4
Total Tax	160.3	200.1	200.2	217.2
PAT before MI	612.6	623.9	624.4	677.2
<b>PAT</b>	<b>612.6</b>	<b>623.9</b>	<b>624.4</b>	<b>677.2</b>
Growth (%)	23.1	1.9	0.1	8.5
<b>EPS (Adjusted)</b>	<b>133.2</b>	<b>128.5</b>	<b>135.7</b>	<b>147.2</b>

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Profit/(Loss) after taxation	547.0	521.4	624.4	677.2
Add: Depreciation & Amortization	115.0	105.5	119.0	125.8
Net Increase in Current Assets	40.4	85.0	-8.2	-56.0
Net Increase in Current Liabilities	3.0	-119.5	87.4	69.0
Others	-38.3	-236.8	13.4	13.4
<b>CF from Operating activities</b>	<b>667.1</b>	<b>355.6</b>	<b>836.0</b>	<b>829.4</b>
Investments	0.0	180.5	0.0	0.0
(Purchase)/Sale of Fixed Assets	-13.3	-63.8	-50.0	-50.0
Others	44.9	-152.8	-61.3	-67.5
<b>CF from Investing activities</b>	<b>31.7</b>	<b>-36.1</b>	<b>-111.3</b>	<b>-117.5</b>
(inc)/Dec in Loan	0.0	0.0	0.0	0.0
Dividend & Dividend tax	-159.7	-297.2	-184.0	-161.0
Other	-20.8	-48.6	-13.4	-13.4
CF from Financing activities	-180.5	-345.8	-197.4	-174.4
<b>Net Cash Flow</b>	<b>518.2</b>	<b>-26.2</b>	<b>527.3</b>	<b>537.5</b>
Cash and Cash Equivalent	1,115.1	1,633.3	1,859.5	2,386.9
<b>Cash</b>	<b>1,633.3</b>	<b>1,607.1</b>	<b>2,386.9</b>	<b>2,924.4</b>
<b>Free Cash Flow</b>	<b>653.8</b>	<b>291.9</b>	<b>786.0</b>	<b>779.4</b>

Source: Company, ICICI Direct Research

Exhibit 7: Balance Sheet				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Equity Capital	45.8	45.8	45.8	45.8
Reserve and Surplus	2,818.7	3,161.6	3,601.9	4,118.2
Total Shareholders funds	2,864.4	3,207.3	3,647.7	4,163.9
Total Debt	2.5	2.5	2.5	2.5
Deferred Tax Liability	0.0	0.0	0.0	0.0
Long-Term Provisions	55.5	42.8	43.6	44.5
Other Non Current Liabilities	127.7	93.3	95.2	97.1
<b>Source of Funds</b>	<b>3,050.1</b>	<b>3,345.9</b>	<b>3,789.0</b>	<b>4,308.0</b>
Gross Block - Fixed Assets	817.8	831.6	881.8	932.1
Accumulated Depreciation	504.3	609.8	728.9	854.7
Net Block	313.5	221.8	153.0	77.4
Capital WIP	1.2	7.9	7.7	7.4
Goodwill on Consolidation	527.5	527.5	527.5	527.5
Fixed Assets	842.1	757.2	688.1	612.3
Investments	28.2	0.0	0.0	0.0
Deferred Tax Assets	47.0	97.7	99.6	101.6
Long Term Loans and Advances	400.7	437.9	481.7	529.8
Other non-Current Assets	186.1	182.9	201.2	221.3
Inventory	448.9	417.7	443.3	478.8
Debtors	124.3	151.7	124.6	134.6
Loans and Advances	0.0	0.0	0.0	0.0
Other Current Assets	190.0	96.1	105.8	116.3
Cash	1,633.3	1,859.5	2,386.9	2,924.4
Total Current Assets	2,396.5	2,525.1	3,060.6	3,654.2
Creditors	263.9	217.1	260.7	281.5
Provisions	78.6	100.5	110.6	121.6
Other Current Liabilities	507.9	337.3	371.0	408.1
Total Current Liabilities	850.4	654.9	742.2	811.3
Net Current Assets	1,546.1	1,870.2	2,318.4	2,842.9
<b>Application of Funds</b>	<b>3,050.1</b>	<b>3,345.9</b>	<b>3,789.0</b>	<b>4,308.0</b>

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios				
(Year-end March)	FY22	FY23	FY24E	FY25E
<b>Per share data (₹)</b>				
Reported EPS	133.2	135.6	135.7	147.2
Cash EPS	123.2	86.4	121.6	139.6
BV per share	622.7	697.2	793.0	905.2
Cash per Share	355.1	404.2	518.9	635.7
Dividend per share	35.0	65.0	40.0	35.0
<b>Operating Ratios (%)</b>				
Gross Profit Margins	63.7	64.0	64.2	64.2
EBITDA margins	32.0	33.4	34.0	34.0
PAT Margins	23.5	24.4	23.8	23.9
Cash Conversion Cycle	88.6	106.7	88.6	88.6
Asset Turnover	3.2	2.9	3.0	3.0
EBITDA conversion Rate	79.8	44.0	93.8	86.1
<b>Return Ratios (%)</b>				
RoE	21.4	18.4	17.1	16.3
RoCE	26.1	24.8	22.7	21.6
RoIC	52.7	50.9	59.7	65.7
Core ROE	45.7	40.6	45.6	50.3
<b>Valuation Ratios (x)</b>				
P/E	28.8	28.3	28.2	26.0
EV / EBITDA	19.0	19.4	17.0	15.2
EV / Net Sales	6.1	6.5	5.8	5.2
Market Cap / Sales	6.7	7.2	6.7	6.2
Price to Book Value	6.2	5.5	4.8	4.2
<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	0.9	1.0	0.9	0.9
Quick Ratio	0.4	0.4	0.3	0.3
Inventory days	172.8	174.5	172.8	172.8
Debtor days	17.4	22.8	17.4	17.4
Creditor days	101.6	90.7	101.6	101.6

Source: Company, ICICI Direct Research

Exhibit 9: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				EV/EBITDA(x)				RoCE (%)			RoE (%)				
						FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E
<b>Hospitals</b>																					
Apollo Hospitals	APOHOS	4586	5,460	Buy	66039	59.1	60.5	80.2	126.8	30.2	31.6	25.8	18.8	15.1	14.1	16.6	21.8	15.1	13.8	16.0	21.1
Narayana Hrudalaya	NARHRU	760	870	Buy	15503	16.7	27.9	29.0	27.4	23.1	16.7	14.0	13.7	20.5	23.6	21.2	17.1	23.0	27.9	22.7	17.8
Shalby	SHALIM	144	180	Buy	1560	5.4	6.8	9.5	11.4	13.3	10.3	8.2	6.9	8.4	11.3	13.9	15.7	6.7	7.9	10.1	11.1
Aster DM	ASTDM	252	280	Buy	12600	10.5	8.6	18.1	23.6	10.1	9.3	6.2	4.7	9.0	8.7	13.6	15.4	13.3	9.8	17.1	18.2
Healthcare Global	HEAGLO	300	385	Buy	4170	3.9	2.3	6.1	8.5	19.8	15.2	11.9	10.2	5.0	8.8	12.8	14.8	5.0	3.6	8.5	10.7
Rainbow Children's Medicare	RAICHI	899	900	Hold	9170	13.6	20.8	19.2	20.2	30.3	26.4	24.6	20.9	20.2	17.8	14.5	16.5	22.9	19.9	15.5	14.0
<b>Company</b>																					
Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				P/E(x)				RoCE (%)			RoE (%)				
						FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E
<b>MNC Pharma</b>																					
Abbott India	ABBIND	21186	21,025	Hold	44490	380.3	476.5	519.3	584.0	55.7	44.5	40.8	36.3	36.6	39.7	35.6	33.5	28.3	30.9	27.5	25.8
P&G Health	MERLIM	4735	5,620	Buy	8050	113.2	152.2	144.4	165.2	41.8	31.1	32.8	28.7	39.8	43.7	34.5	33.6	31.2	33.2	26.5	25.7
Sanofi India	SANOFI	6350	6,270	Hold	14605	410.6	269.8	251.4	272.7	15.5	23.5	25.3	23.3	33.3	55.1	49.6	45.0	25.9	41.2	36.9	33.3
Pfizer	PFIZER	3825	3,830	Hold	17596	133.2	135.6	135.7	147.2	28.7	28.2	28.2	26.0	26.1	24.8	22.7	21.6	21.4	18.4	17.1	16.3
<b>Pharma</b>																					
Ajanta Pharma	AJAPHA	1264	1,520	Buy	16179	55.7	46.5	59.9	69.2	22.7	27.2	21.1	18.3	27.0	21.3	23.5	23.3	21.8	17.4	19.2	18.9
Alembic Pharma	ALEMPHA	565	530	Hold	11137	27.7	17.4	14.1	22.1	20.4	32.6	40.1	25.6	10.6	8.6	8.0	11.6	10.4	7.8	6.2	9.1
Aurobindo Pharma	AURPHA	643	525	Hold	37703	47.4	34.8	46.2	52.4	13.6	18.5	13.9	12.3	12.9	10.2	12.6	13.1	11.3	7.7	9.3	9.6
Biocon	BIOCON	248	230	Hold	29785	6.3	4.9	3.1	3.1	39.1	50.2	78.8	78.8	7.5	3.3	5.1	6.2	8.1	2.7	6.2	8.3
Zydus Lifesciences	CADHEA	518	500	Buy	53002	21.0	22.6	27.0	35.5	24.7	22.9	19.2	14.6	12.0	12.3	12.3	12.0	12.6	12.1	12.8	14.6
Cipla	CIPLA	928	1,090	Buy	74894	32.9	36.4	42.7	48.2	28.2	25.5	21.7	19.2	16.7	17.4	17.8	18.2	12.7	12.5	13.2	13.4
Dr Reddy's Lab	DRREDD	4519	5,520	Buy	75007	127.2	269.3	230.2	256.5	35.5	16.8	19.6	17.6	12.5	23.9	18.8	21.1	11.0	19.2	14.4	14.2
Glenmark	GLEPHA	611	440	Hold	17241	42.7	33.3	47.4	54.8	14.3	18.4	12.9	11.2	14.8	14.9	15.7	16.4	13.2	9.4	11.9	12.2
Ipca Lab	IPCLAB	694	885	Hold	17638	34.8	20.8	31.4	37.0	20.0	33.3	22.1	18.8	17.4	12.1	15.7	16.5	16.1	8.9	12.1	12.7
Lupin	LUPIN	789	725	Hold	35900	11.9	8.3	25.6	33.0	66.4	94.9	30.8	23.9	3.4	5.7	11.0	13.0	4.4	3.0	8.6	10.2
Natco	NATPHA	630	565	Hold	11529	9.3	36.3	40.3	30.2	67.8	17.3	15.6	20.8	4.6	15.9	16.5	11.6	4.0	13.9	13.6	9.4
Sun Pharma	SUNPHA	951	1,210	Buy	228169	32.0	34.9	38.6	43.2	29.8	27.2	24.7	22.0	18.2	17.2	18.1	18.1	16.0	15.2	14.7	14.7
Torrent Pharma	TORPHA	1616	1,720	Hold	54626	32.0	36.3	45.1	53.8	50.4	44.5	35.8	30.0	19.7	17.1	20.4	23.3	18.2	17.9	19.0	19.4
Indoco Remedies	INDREM	356	440	Buy	3277	16.8	17.9	26.7	31.5	21.2	19.8	13.3	11.3	17.5	15.6	21.9	24.7	17.1	15.9	19.8	19.4
Caplin Point	CAPPOI	721	865	Buy	5477	39.5	48.8	47.9	47.9	18.3	14.8	15.1	15.1	25.3	23.5	22.4	22.4	20.2	20.2	16.7	16.7
Advanced Enzyme	ADVENZ	278	265	Reduce	3110	9.4	13.6	15.3	15.3	29.4	20.5	18.1	18.1	19.4	14.3	10.8	14.2	19.4	14.3	10.8	14.2
Hester Bios	HESPHA	1856	1,830	Hold	1670	45.7	35.6	49.7	59.8	40.6	52.0	37.3	31.0	10.9	9.9	10.9	12.0	15.0	10.7	13.5	14.4
<b>API/CRAMS</b>																					
Divi's Lab	DIVLAB	3300	2,945	Hold	87451	111.5	72.8	77.4	95.0	29.6	45.3	42.6	34.7	30.2	18.2	18.3	18.3	21.3	25.2	15.0	15.0
Hikal	HIKCHE	300	375	Hold	3688	13.0	5.7	14.6	20.7	23.0	52.7	20.6	14.5	13.6	7.2	14.3	17.7	15.0	6.3	14.1	17.0
Syngene International	SYNINT	697	740	Buy	27952	9.9	11.6	13.3	17.9	70.6	60.2	52.4	39.0	11.7	13.8	14.2	16.9	12.9	12.8	13.0	14.9
Granules India	GRANUL	297	355	Buy	7374	16.6	21.4	16.6	16.6	17.9	13.9	17.9	17.9	15.6	20.0	15.6	15.6	16.0	18.7	16.0	16.0
Laurus Labs	LAULAB	316	300	Hold	16953	15.4	14.7	10.5	10.5	20.5	21.4	30.1	30.1	21.3	19.8	14.6	16.0	24.7	19.6	12.4	13.5
Suven Pharma	SUVPH	475	530	Buy	12113	17.8	14.7	17.7	20.0	26.7	32.3	26.9	23.7	37.5	26.0	25.6	24.5	29.7	20.6	20.5	19.5

Source: ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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