

## Margin uptick; outlook for brands positive...

**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

**Q4FY22 Results:** Revenue growth was subdued this quarter due to decline in VMS and anti-infective therapies offtake in Q4FY22 on a YoY basis.

- Sales were up 3% YoY to ₹ 550 crore
- EBITDA improved 32% YoY to ₹ 166 crore, with margins at 30%
- PAT for the quarter was at ₹ 126 crore (up 25% YoY)

**What should investors do?** Pfizer's share price has grown by ~2.5x over the past five years (from ~₹ 1706 in May 2017 to ~₹ 4378 levels in May 2022).

- Downgrade from BUY to **HOLD** as we keep watch on uptick in growth tempo for ex-top 10 brands and implications of the VRS scheme for field force

**Target Price and Valuation:** Valued at ₹ 4810 i.e. 30x P/E on FY24E EPS of ₹ 160.3.

### Key triggers for future price performance:

- Brands like Eliquis, Mucaine, Magnex, Corex-Dx etc. have shown significant uptick amid muted performance in Pfizer's top brands like Becosules and Prevenar-13, which holds Pfizer in good stead with more power brands
- 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, VMS, GI and CVS
- Strong brand recall, consistent new product launches, volume growth in top brands and intermittent price hikes provide comfort on the financials front

**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 ₹ 20560

### Key Financial Summary

Key Financials (₹ Crore)	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Revenues	2151.7	2238.6	2611.0	5.8	2801.1	3081.2	8.6
EBITDA	572.6	712.1	835.7	19.1	871.4	985.8	8.6
EBITDA margins (%)	26.6	31.8	32.0		31.1	32.0	
Net Profit	509.2	497.6	612.6	24.3	642.4	733.3	9.4
EPS (₹)	111.3	108.8	133.9		140.4	160.3	
PE (x)	39.1	40.0	32.5		31.0	27.2	
M.Cap/ Revenues (x)	9.3	8.9	7.6		7.1	6.5	
RoCE (%)	18.5	27.6	26.1		23.5	23.0	
ROE (%)	15.0	20.8	21.4		19.2	18.7	

Source: Company, ICICI Direct Research



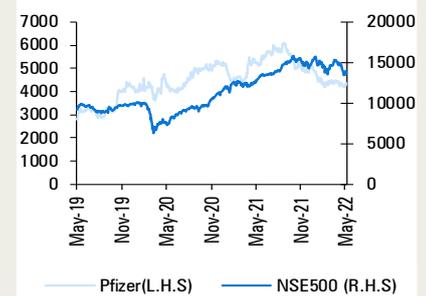
### Particulars

Particular	Amount
Market Capitalisation	₹ 19909 crore
Debt (FY22)	₹ 3 crore
Cash (FY22)	₹ 1633 crore
EV	₹ 18279 crore
52 week H/L	6165/4078
Equity capital	₹ 45.8 crore
Face value	₹ 10

### Shareholding pattern

(in %)	Jun-21	Sep-21	Dec-21	Mar-22
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 brands

### Research Analyst

Siddhant Khandekar  
siddhant.khandekar@icicisecurities.com

Raunak Thakur  
raunak.thakur@icicisecurities.com

Kush Mehta  
kush.mehta@icicisecurities.com

## Key takeaways of recent quarter

### Q4FY22 Results: Steady performance

- Pfizer posted growth of 3% YoY in topline to ₹ 550 crore. EBITDA margins expanded 659 bps YoY to 30.1% while EBITDA grew 32%YoY to ₹ 166 crore. Net profit increased 25% YoY to ₹ 126 crore. The board recommend a dividend of ₹ 35 per equity share
- Q4 revenues was below I-direct estimates while margins were a beat. According to IQVIA MAT March, 2022, respiratory, anti-infective and cardiac were the top growing therapeutic areas on a YoY basis. However, besides quarterly variations Pfizer posted revenues growth of 20% to ₹ 2611 crore with margins at 32% in FY22. 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 (₹ crore)

Brand	Therapy	Mar-19	Mar-20	Mar-21	Mar-22	GAGR 19-22
BECOSULES	VMS	283.1	297.2	375.7	373.6	9.7%
PREVENAR-13	VACCINES	346.2	384.7	365.6	350.8	0.4%
COREX-DX	RESPIRATORY	134.9	149.9	150.3	241.9	21.5%
MUCAINE	GASTRO INTESTINAL	116.4	126.0	155.5	183.5	16.4%
DOLONEX	PAIN / ANALGESICS	175.3	187.0	181.7	181.5	1.2%
MAGNEX	ANTI-INFECTIVES	159.5	182.0	143.1	175.6	3.3%
MINIPRESS-XL	CARDIAC	143.4	137.9	154.0	170.5	5.9%
WYSOLONE	HARMONES	104.4	115.8	143.3	166.1	16.7%
ELIQUIS	CARDIAC	36.6	70.0	118.3	165.3	65.3%
GELUSIL-MPS	GASTRO INTESTINAL	103.5	112.5	141.1	139.8	10.5%
Top 10 brands		1603.2	1763.0	1928.6	2148.6	10.3%
% of IQVIA sales		55.1%	57.6%	60.0%	59.8%	

Source: MAT TSA values, IQVIA; Company

Exhibit 2: Therapeutic break-up (₹ crore)

Therapy	Mar-19	Mar-20	Mar-21	Mar-22	GAGR 19-22
VITAMINS/MINERALS/NUTRIENTS	367.2	388.9	484.9	497.0	10.6%
ANTI-INFECTIVES	418.5	430.4	354.7	443.3	1.9%
CARDIAC	238.1	266.3	337.0	401.5	19.0%
GASTRO INTESTINAL	257.4	279.0	330.0	356.3	11.4%
VACCINES	346.2	384.7	365.6	350.8	0.4%
RESPIRATORY	212.7	228.1	219.6	340.5	17.0%
HORMONES	205.9	213.8	243.6	282.4	11.1%
GYNAEC.	208.6	217.1	232.6	234.0	3.9%
PAIN / ANALGESICS	220.7	219.5	223.7	222.6	0.3%
NEURO / CNS	183.1	182.5	187.8	183.1	0.0%
Top Therapies	2658.4	2810.4	2979.4	3311.5	7.6%
Total IQVIA Sales	2912.2	3059.9	3212.8	3591.6	7.2%

Source: MAT TSA values, IQVIA; Company

Exhibit 3: Financial Summary

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoE	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	2239	4.0	108.8	-2.3	40.0	26.4	20.8	27.6
FY22	2611	16.6	133.9	23.1	32.5	21.9	21.4	26.1
FY23E	2801	7.3	140.4	4.9	31.0	20.4	19.2	23.5
FY24E	3081	10.0	160.3	14.1	27.2	17.4	18.7	23.0

Source: ICICI Direct Research

Exhibit 4: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct	CMP	TP	Rating	M Cap	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
	Code	(₹)	(₹)		(₹ cr)	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
<b>Hospitals</b>																					
Apollo Hospitals	APOHOS	3735	5,480	Buy	53703	7.9	67.2	81.3	105.5	475.2	55.6	45.9	35.4	6.3	16.4	18.2	20.7	2.5	17.5	18.1	19.9
Narayana Hrudalaya	NARHRU	641	765	Buy	13094	-0.7	17.5	20.1	22.8	NA	36.7	31.8	28.1	1.2	21.2	22.4	21.5	-1.3	24.5	22.3	20.3
Shalby	SHALIM	109	170	Buy	1180	3.9	5.9	5.7	7.2	27.8	18.5	19.0	15.2	6.5	8.9	9.6	10.5	5.1	7.2	6.7	7.9
Aster DM	ASTDM	176	250	Buy	8804	3.0	10.6	17.6	NA	59.6	16.7	10.0	NA	5.4	9.2	12.9	NA	4.4	13.5	18.4	NA
Healthcare Global	HEAGLO	280	240	Hold	3504	-21.7	6.0	3.5	NA	NA	46.6	79.3	NA	-0.9	5.2	7.7	NA	NA	NA	3.4	NA
<b>MNC Pharma</b>																					
Abbott India	ABBIND	17902	20,560	Buy	38041	325.0	375.9	439.8	514.0	55.1	47.6	40.7	34.8	33.8	36.6	37.9	36.3	26.5	28.3	29.5	28.1
P&G Health	MERLIM	4428	4,955	Hold	7351	106.5	121.5	130.5	141.6	41.6	36.4	33.9	31.3	32.2	37.3	34.7	32.8	25.1	29.3	27.0	25.4
Sanofi India	SANOFI	6622	7,740	Hold	15251	207.4	410.1	285.7	276.4	31.9	16.1	23.2	24.0	32.3	33.3	42.3	40.8	24.5	25.9	32.6	31.3
Pfizer	PFIZER	4381	4,810	Hold	20041	108.8	133.9	140.4	160.3	40.3	32.7	31.2	27.3	27.6	26.1	23.5	23.0	20.8	21.4	19.2	18.7
<b>Pharma</b>																					
Ajanta Pharma	AJAPHA	1736	1,955	Buy	14830	74.0	83.4	83.3	97.8	23.5	20.8	20.8	17.8	29.0	27.0	22.9	22.9	21.8	21.8	18.4	18.3
Alembic Pharma	ALEMPHA	772	720	Hold	15175	62.8	27.8	29.7	35.9	12.3	27.8	26.0	21.5	25.1	10.6	11.2	13.8	24.1	10.4	10.3	11.3
Aurobindo Pharma	AURPHA	569	765	Hold	33334	55.0	44.3	53.4	61.2	10.3	12.8	10.6	9.3	16.9	12.5	14.3	15.2	14.7	10.7	11.5	11.7
Biocon	BIOCON	343	380	Hold	41157	6.3	5.7	6.1	11.7	54.8	60.2	56.6	29.4	7.7	7.5	5.0	6.9	9.9	8.1	3.2	5.9
Zydus Lifesciences	CADHEA	365	475	Hold	37392	21.5	21.1	22.4	25.4	17.0	17.3	16.3	14.4	12.6	13.5	13.7	14.6	16.9	14.8	14.0	14.1
Cipla	CIPLA	984	1,095	Buy	79386	29.9	32.9	36.2	42.5	32.9	29.9	27.2	23.1	16.3	16.7	16.7	17.7	13.1	12.7	12.6	13.3
Dr Reddy's Labs	DRREDD	4316	4,800	Buy	71828	117.3	127.9	192.4	224.6	36.8	33.7	22.4	19.2	13.1	13.0	18.3	21.3	11.1	11.1	14.7	15.0
Glenmark Pharma	GLEPHA	404	550	Hold	11398	32.9	44.2	44.2	49.1	12.3	9.1	9.1	8.2	13.9	15.5	15.2	15.4	13.1	13.1	11.7	11.6
Ipca Laboratories	IPCLAB	988	1,175	Buy	25055	44.9	36.6	42.4	48.2	22.0	27.0	23.3	20.5	27.1	19.8	19.1	18.5	24.2	16.6	16.1	15.6
Jubilant Pharmova	JUBLIF	421	490	Hold	6698	37.4	28.7	32.5	40.8	11.3	14.7	12.9	10.3	13.7	10.1	10.4	12.2	12.6	8.9	9.2	10.4
Lupin	LUPIN	640	610	Hold	29098	26.9	11.9	18.7	30.5	23.8	53.9	34.2	21.0	9.6	3.4	7.6	11.2	8.8	4.4	6.6	9.8
Natco Pharma	NATPHA	709	955	Hold	12938	24.2	15.1	19.6	23.1	29.3	46.9	36.3	30.7	13.1	7.3	9.7	10.7	10.7	6.4	7.8	8.5
Sun Pharma	SUNPHA	928	1,075	Buy	222658	30.0	33.5	33.8	38.6	30.9	27.7	27.4	24.1	14.2	18.3	17.8	17.8	15.5	16.4	14.4	14.3
Torrent Pharma	TORPHA	2694	3,235	Hold	45584	74.0	67.6	94.7	114.5	36.4	39.8	28.4	23.5	17.7	18.2	21.1	23.5	21.4	17.1	20.3	20.7
Indoco Remedies	INDREM	374	510	Buy	3445	10.1	16.8	21.8	28.4	37.0	22.3	17.1	13.2	11.7	17.5	18.8	24.9	12.1	17.1	18.7	20.2
Caplin Point	CAPPOI	757	895	Buy	5733	81.7	85.3	68.3	70.8	9.3	8.9	11.1	10.7	25.3	23.7	22.5	0.0	20.4	20.2	18.5	17.5
Advanced Enzymes	ADVENZ	276	380	Buy	3088	13.1	11.3	13.6	15.8	21.1	24.5	20.3	17.5	19.4	15.4	16.7	17.2	15.1	11.6	12.4	12.7
Hester Biosciences	HESPHA	2248	2,445	Hold	1913	44.4	45.7	41.3	63.2	50.7	49.2	54.4	35.6	16.2	10.9	9.9	13.4	16.5	15.0	12.2	16.3
<b>API/CRAMS</b>																					
Divi's Lab	DIVLAB	4400	5,335	Buy	116805	74.7	107.8	108.4	126.4	58.9	40.8	40.6	34.8	27.6	30.1	27.7	27.5	21.3	25.4	21.7	21.6
Hikal	HIKCHE	370	500	Buy	4561	10.8	14.6	17.1	22.6	34.3	25.3	21.6	16.3	15.1	15.7	16.0	19.1	14.3	16.7	16.8	18.8
Syngene Int.	SYNINT	565	730	Buy	22653	10.1	9.9	11.4	15.5	55.8	57.2	49.7	36.5	11.5	11.7	12.2	15.7	13.5	12.9	12.3	14.4
Granules India	GRANUL	280	345	Buy	6935	22.2	16.6	19.6	24.6	12.6	16.8	14.3	11.4	24.0	15.6	16.8	18.6	25.3	16.0	16.0	16.9
Laurus Labs	LAULAB	577	690	Buy	31003	18.3	15.4	20.6	26.5	31.5	37.5	28.0	21.7	31.7	21.3	22.6	24.7	37.9	24.7	25.5	25.3
Suven Pharmaceuticals	SUVPH	523	555	Hold	13312	14.2	17.8	17.0	18.5	36.7	29.3	30.7	28.2	31.2	37.5	28.5	26.0	30.7	29.7	23.0	20.8

Source: ICICI Direct Research

## Financial Summary

Exhibit 5: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Total Operating Income	2,238.6	2,611.0	2,801.1	3,081.2
Growth (%)	4.0	16.6	7.3	10.0
Raw Material Expenses	797.7	948.0	1,019.3	1,101.7
Gross Profit	1,440.8	1,663.0	1,781.7	1,979.5
Gross Profit Margins (%)	64.4	63.7	63.6	64.2
Employee Expenses	361.1	403.7	427.2	462.2
Other Expenditure	367.6	423.6	483.2	531.5
Total Operating Expenditure	1,526.4	1,775.3	1,929.6	2,095.3
<b>EBITDA</b>	<b>712.1</b>	<b>835.7</b>	<b>871.4</b>	<b>985.8</b>
Growth (%)	24.4	17.4	4.3	13.1
Interest	15.1	10.5	10.5	10.5
Depreciation	109.4	115.0	120.4	127.2
Other Income	81.1	62.7	70.0	77.0
<b>PBT before Exceptional Items</b>	<b>668.7</b>	<b>772.9</b>	<b>810.6</b>	<b>925.2</b>
Less: Exceptional Items	0.0	0.0	0.0	0.0
PBT after Exceptional Items	668.7	772.9	810.6	925.2
Total Tax	171.1	160.3	168.1	191.9
PAT before MI	497.6	612.6	642.4	733.3
<b>PAT</b>	<b>497.6</b>	<b>612.6</b>	<b>642.4</b>	<b>733.3</b>
Growth (%)	-2.3	23.1	4.9	14.1
<b>EPS (Adjusted)</b>	<b>108.8</b>	<b>133.9</b>	<b>140.4</b>	<b>160.3</b>

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit/(Loss) after taxation	464.6	547.0	642.4	733.3
Add: Depreciation & Amortization	109.4	115.0	120.4	127.2
Net Increase in Current Assets	5.4	40.4	-61.8	-73.2
Net Increase in Current Liabilities	-97.2	3.0	78.5	87.4
Others	-54.9	-38.3	10.5	10.5
<b>CF from Operating activities</b>	<b>427.3</b>	<b>667.1</b>	<b>790.0</b>	<b>885.1</b>
Investments	0.0	0.0	0.0	0.0
(Purchase)/Sale of Fixed Assets	-17.6	-13.3	-50.0	-50.0
Others	56.6	44.9	-56.0	-61.8
<b>CF from Investing activities</b>	<b>39.0</b>	<b>31.7</b>	<b>-106.0</b>	<b>-111.8</b>
(inc)/Dec in Loan	0.0	0.0	0.0	0.0
Dividend & Dividend tax	-1,519.4	-159.7	-160.1	-160.1
Other	-51.7	-20.8	-10.5	-10.5
CF from Financing activities	-1,571.1	-180.5	-170.6	-170.6
<b>Net Cash Flow</b>	<b>-1,104.8</b>	<b>518.2</b>	<b>513.4</b>	<b>602.8</b>
Cash and Cash Equivalent	2,219.9	1,115.1	1,633.3	2,146.8
<b>Cash</b>	<b>1,115.1</b>	<b>1,633.3</b>	<b>2,146.8</b>	<b>2,749.5</b>

Source: Company, ICICI Direct Research

Exhibit 7: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Equity Capital	45.8	45.8	45.8	45.8
Reserve and Surplus	2,347.3	2,818.7	3,301.0	3,874.1
Total Shareholders funds	2,393.0	2,864.4	3,346.7	3,919.9
Total Debt	2.5	2.5	2.5	2.5
Deferred Tax Liability	0.0	0.0	0.0	0.0
Long-Term Provisions	55.8	55.5	56.6	57.7
Other Non Current Liabilities	42.7	127.7	130.3	132.9
<b>Source of Funds</b>	<b>2,494.1</b>	<b>3,050.1</b>	<b>3,536.1</b>	<b>4,113.0</b>
Gross Block - Fixed Assets	751.0	842.3	891.8	942.0
Accumulated Depreciation	413.8	528.8	649.2	776.3
Net Block	337.3	313.5	242.6	165.7
Capital WIP	2.8	1.2	1.7	1.4
Goodwill on Consolidation	527.5	527.5	527.5	527.5
Fixed Assets	867.5	842.1	771.7	694.6
Investments	29.6	28.2	28.2	28.2
Deferred Tax Assets	13.5	47.0	47.9	48.9
Long Term Loans and Advances	262.1	400.7	440.7	484.8
Other non-Current Assets	168.5	186.1	204.7	225.2
Inventory	435.1	448.9	482.7	521.6
Debtors	129.7	124.3	133.3	146.6
Loans and Advances	0.0	0.0	0.0	0.0
Other Current Assets	244.9	190.0	209.0	229.9
Cash	1,115.1	1,633.3	2,146.8	2,749.5
Total Current Assets	1,924.7	2,396.5	2,971.7	3,647.7
Creditors	283.7	263.9	283.8	306.7
Provisions	126.6	78.6	86.4	95.0
Other Current Liabilities	361.5	507.9	558.7	614.6
Total Current Liabilities	771.8	850.4	928.9	1,016.3
Net Current Assets	1,152.9	1,546.1	2,042.8	2,631.4
<b>Application of Funds</b>	<b>2,494.1</b>	<b>3,050.1</b>	<b>3,536.1</b>	<b>4,113.0</b>

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
<b>Per share data (₹)</b>				
Reported EPS	108.8	133.9	140.4	160.3
Cash EPS	97.7	124.0	131.7	153.1
BV per share	523.1	626.1	731.6	856.8
Cash per Share	243.7	357.0	469.3	601.0
Dividend per share	35.0	35.0	35.0	35.0
<b>Operating Ratios (%)</b>				
Gross Profit Margins	64.4	63.7	63.6	64.2
EBITDA margins	31.8	32.0	31.1	32.0
PAT Margins	22.2	23.5	22.9	23.8
Cash Conversion Cycle	90.4	88.6	88.6	88.6
Asset Turnover	3.0	3.1	3.1	3.3
EBITDA conversion Rate	60.0	79.8	90.7	89.8
<b>Return Ratios (%)</b>				
RoE	20.8	21.4	19.2	18.7
RoCE	27.6	26.1	23.5	23.0
RoIC	44.2	52.7	56.1	65.4
Core ROE	34.2	45.7	48.9	57.4
<b>Valuation Ratios (x)</b>				
P/E	40.0	32.5	31.0	27.2
EV / EBITDA	26.4	21.9	20.4	17.4
EV / Net Sales	8.4	7.0	6.3	5.6
Market Cap / Sales	8.9	7.6	7.1	6.5
Price to Book Value	8.3	7.0	5.9	5.1
<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	0.9	0.9	0.9

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)

ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruiti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)

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