

Steady annual performance despite disturbances...

FY21 revenues grew 4.0% YoY to ₹ 2239 crore with hospital and vaccines business impacted amid the pandemic. EBITDA margins expanded 520 bps to 31.8% YoY due to a better overall operational performance. Decline in other expenses is likely on account of lower promotional and marketing activities related expenses. EBITDA grew 24.4% YoY to ₹ 712 crore. However, PAT de-grew 2.3% YoY to ₹ 498 crore. Delta vis-à-vis EBITDA was due to lower other income and tax reversals in the base year.

Persistent margin improvement despite slow growth

Besides legacy NLEM/GST related adjustments, Pfizer has been continuously restructuring its portfolio in the last few years to improve the productivity of its core brands and also in accordance with development at the parent level. Despite stagnant turnover growth (FY16-21 CAGR of ~2%), the company has delivered margin improvement on a fairly consistent basis (FY21 EBITDA margin of 31.8% vis-à-vis FY16 EBITDA margins of 21.5%; EBITDA, PAT CAGR of 10%, 11%, respectively, in FY16-21).

Strong balance sheet, return ratios

Pfizer India is a net debt-free company with 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. The company has proposed a ₹ 35 (special: ₹ 5 + final: ₹ 30) dividend for FY21. Barring FY20, Pfizer has continuously maintained a dividend payout of 25-35% during FY16-21.

Valuation & Outlook

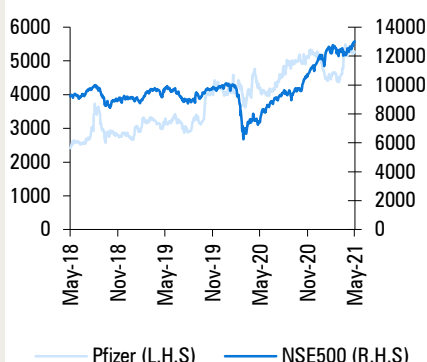
Despite divestiture of certain brands in earlier quarters and Covid-19 related operational challenges, the company continues to deliver a decent set of numbers. Pfizer is following a measured approach with de-focusing and hiving off of tail brands and focusing on core strengths areas such as vaccines, pain management, vitamins, GI and CVS. Similarly, the company is continuously trying to enhance the share of the parent's global products portfolio, which has grown from ~36% in FY17 to ~50% as of FY20. The vaccines segment, led by Prevnar 13, especially, remains at the core of future growth and new launches. We continue to believe in Pfizer's strong growth track record in power brands and capability in new launches on a fairly consistent basis (recent launches from parent's staple- Zavicefta, Zinforo, Meronem (all anti-infective), Eliquis (CVS), Xeljanz (pain management) among others). We maintain **BUY** rating and arrive at a target price of ₹ 6060 (earlier ₹ 5890) based on 40x FY23E EPS of ₹ 151.5.



Particulars

Particular	Amount
Market Capitalisation	₹ 24091 crore
Debt (FY21)	₹ 3 crore
Cash (FY21)	₹ 1115 crore
EV	₹ 22979 crore
52 week H/L	5875/3940
Equity capital	₹ 45.8 crore
Face value	₹ 10

Price performance



Key risks to our call

- Any further additions of products to NLEM list
- Higher-than-expected competition in key products

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Key Financial Summary

₹ Crore	FY20	FY21	FY22E	FY23E	CAGR FY21-23E (%)
Revenues	2151.7	2238.6	2637.8	2954.3	14.9
EBITDA	572.6	712.1	778.1	893.5	12.0
EBITDA margins (%)	26.6	31.8	29.5	30.2	
Net Profit	509.2	497.6	594.1	693.3	18.0
EPS (₹)	111.3	108.8	129.9	151.5	
PE (x)	47.3	48.4	40.5	34.8	
M.Cap/ Revenues (x)	11.2	10.8	9.1	8.2	
EV to EBITDA (x)	38.2	32.3	28.8	24.5	
RoCE (%)	18.5	27.6	27.9	27.6	
ROE (%)	15.0	20.8	21.0	20.8	

Source: ICICI Direct Research; Company

Exhibit 1: Power brands

Brand	Therapy	MAR17	MAR18	MAR19	MAR20	MAR21	17-21 CAGR
BECOSULES	VMS	255.3	262.8	326.2	373.4	468.9	16.4
GELUSIL	GASTRO INTESTINAL	165.2	164.4	175.6	201.5	230.2	8.6
MUCAINE	GASTRO INTESTINAL	116.0	118.6	134.3	157.5	196.0	14.0
MAGNEX	ANTI-INFECTIVES	138.3	151.1	180.0	219.3	168.9	5.1
MINIPRESS XL	CARDIAC	147.8	144.5	136.4	141.8	166.8	3.1
DOLONEX	PAIN / ANALGESICS	141.1	143.4	151.9	163.8	165.6	4.1
WYSOLONE	HORMONES	120.6	113.5	109.0	128.3	149.5	5.5
COREX DX	RESPIRATORY	307.3	133.6	148.9	174.7	177.6	-12.8
PREVENAR 13	VACCINES	101.0	126.0	125.4	139.7	119.1	4.2
ELIQUIS	CARDIAC	27.2	67.3	68.3	71.2	114.4	43.2
Top 10 brands		1519.7	1425.2	1555.9	1771.1	1957.1	6.5
Total AIOCD sales*		2997.2	2825.5	3012.5	3339.3	3503.2	4.0
as % of total sales		51%	50%	52%	53%	56%	

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

Financial Summary

Exhibit 2: Profit and loss statement		₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E	
Total Operating Income	2,151.7	2,238.6	2,637.8	2,954.3	
Growth (%)	3.4	4.0	17.8	12.0	
Raw Material Expenses	792.4	797.7	936.4	1,048.9	
Gross Profit	1,359.3	1,440.8	1,701.4	1,905.4	
Gross Profit Margins (%)	63.2	64.4	64.5	64.5	
Employee Expenses	364.5	361.1	461.6	502.2	
Other Expenditure	422.2	367.6	461.6	509.7	
Total Operating Expenditure	1,579.1	1,526.4	1,859.6	2,060.8	
EBITDA	572.6	712.1	778.1	893.5	
Growth (%)	1.3	24.4	9.3	14.8	
Interest	10.9	15.1	14.2	14.2	
Depreciation	103.2	109.4	110.6	114.6	
Other Income	184.0	81.1	145.1	166.9	
PBT before Exceptional Item	642.6	668.7	798.4	931.6	
Less: Exceptional Items	0.0	0.0	0.0	0.0	
PBT after Exceptional Items	642.6	668.7	798.4	931.6	
Total Tax	133.4	171.1	204.3	238.4	
PAT before MI	509.2	497.6	594.1	693.3	
PAT	509.2	497.6	594.1	693.3	
Growth (%)	18.7	-2.3	19.4	16.7	
EPS (Adjusted)	111.3	108.8	129.9	151.5	

Source: ICICI Direct Research

Exhibit 3: Cash Flow Statement		₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E	
Profit/(Loss) after taxation	429.2	464.6	594.1	693.3	
Add: Depreciation & Amortiza	103.2	109.4	110.6	114.6	
Net Increase in Current Asset	-59.5	5.4	-183.3	-113.8	
Net Increase in Current Liabili	7.1	-97.2	288.3	116.5	
Others	-156.8	-54.9	14.2	14.2	
CF from Operating activities	323.2	427.3	823.9	824.8	
Investments	0.0	0.0	0.0	0.0	
(Purchase)/Sale of Fixed Ass	-1.8	-17.6	-50.0	-50.0	
Others	147.7	56.6	-41.4	-45.6	
CF from Investing activities	145.9	39.0	-91.4	-95.6	
(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	-14.2	-14.2	
CF from Financing activities	-163.5	-1,571.1	-174.3	-197.2	
Net Cash Flow	305.5	-1,104.8	558.3	532.0	
Cash and Cash Equivalent	1,914.3	2,219.9	1,115.1	1,673.4	
Cash	2,219.9	1,115.1	1,673.4	2,205.3	
Free Cash Flow	321.4	409.7	773.9	774.8	

Source: ICICI Direct Research

Exhibit 4: 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	2,781.3	3,291.6	
Total Shareholders funds	3,395.5	2,393.0	2,827.1	3,337.3	
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	
Source of Funds	3,534.5	2,494.1	2,930.1	3,442.3	
Gross Block - Fixed Assets	749.5	781.8	831.8	881.8	
Accumulated Depreciation	335.1	444.5	555.1	669.8	
Net Block	414.4	337.3	276.6	212.0	
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	806.9	742.2	
Investments	31.0	29.6	29.6	29.6	
Deferred Tax Assets	0.6	13.5	13.7	14.0	
Long Term Loans and Advanc	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	512.6	574.2	
Debtors	172.0	129.7	210.9	236.2	
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	1,673.4	2,205.3	
Total Current Assets	3,048.3	1,924.7	2,666.2	3,312.0	
Creditors	426.8	283.7	523.2	586.0	
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	1,060.1	1,176.6	
Net Current Assets	2,177.4	1,152.9	1,606.1	2,135.4	
Application of Funds	3,534.5	2,494.1	2,930.1	3,442.3	

Source: ICICI Direct Research

Exhibit 5: Ratio Analysis		₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E	
Per share data (₹)					
Reported EPS	111.3	108.8	129.9	151.5	
Cash EPS	-196.1	97.7	114.1	136.6	
BV per share	742.2	523.1	618.0	729.5	
Cash per Share	485.2	243.7	365.8	482.1	
Dividend per share	330.0	35.0	40.0	40.0	
Operating Ratios (%)					
Gross Profit Margins	63.2	64.4	64.5	64.5	
EBITDA margins	26.6	31.8	29.5	30.2	
PAT Margins	23.7	22.2	22.5	23.5	
Cash Conversion Cycle	29.8	45.8	27.7	27.7	
Asset Turnover	2.9	2.9	3.2	3.4	
EBITDA conversion Rate	56.4	60.0	105.9	92.3	
Return Ratios (%)					
RoE	15.0	20.8	21.0	20.8	
RoCE	18.5	27.6	27.9	27.6	
RoIC	35.7	44.2	53.8	63.8	
Core ROE	30.9	34.2	42.1	50.3	
Valuation Ratios (x)					
P/E	47.3	48.4	40.5	34.8	
EV / EBITDA	38.2	32.3	28.8	24.5	
EV / Net Sales	10.2	10.3	8.5	7.4	
Market Cap / Sales	11.2	10.8	9.1	8.2	
Price to Book Value	7.1	10.1	8.5	7.2	
Solvency Ratios					
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	

Source: ICICI Direct Research

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