

Spurt in demand for both acute and chronic improves profitability

Pfizer India Q1FY22 results were better than estimates. Impressive 46% sales growth across 9 of top 10 brands and highest ever EBITDA margins of 38.1% augurs well for Pfizer. The quarter saw benefit from second wave across major brands especially Wysolone, used in the treatment of Covid patients.

- Sales came in at Rs 7492 mn +46% yoy, 5% above our estimate.
- EBITDA came in at Rs 2858 mn +53% yoy/+127% qoq.
- EBITDA margins were at 38.4% (+190 bps yoy/+1263 bps qoq), highest ever since FY15.
- PAT came in at Rs 1999 mn +61% yoy/+99% qoq.
- EPS for the quarter was at Rs 43.7 vs our estimate of Rs 39.2.

Key Developments

- Sales growth across top 10 brands, except Prevanar13. Major growth brands include Wysolone, ELIQUIS, Becosules, Mucaine, Magnex, Gelusil and Minipress XI.
- Wysolone is a hormonal product which was used in the treatment of Covid19, added to sales growth.
- FY22 beginning with the second wave of Covid19 has spurred up demand for anti-infectives, vitamins, gastroenterology.
- We have revised our estimates of Sales/EBITDA/PAT for FY22E by 8%/5%/7% and 7%/10%/7% for FY23E in view of the delta variants and ongoing demand in India.
- Pfizer is in talks with Government of India for its Covid19 vaccine. Supply of Pfizer's vaccine for the Indian market will provide an upside to our estimates.

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net sales	20,815	21,517	22,386	27,534	30,288
EBITDA	5,652	5,726	7,121	9,257	10,382
Adjusted net profit	4,291	5,091	4,976	6,303	7,129
Free cash flow	1229	670	2367	2406	2461
EPS (Rs)	93.8	111.3	108.8	137.8	155.8
growth (%)	19%	19%	-2%	27%	13%
P/E (x)	62.3	52.5	53.7	42.4	37.5
P/B (x)	8.9	7.9	7.2	6.4	5.7
EV/EBITDA (x)	43.9	42.8	33.8	25.5	19.9
D/E	0	0	0	0	0
RoIC (%)	40	44	48	62	71
RoE (%)	14	13	14	15	13
Dividend yield (%)	0.3	5.6	0.6	0.5	0.5

Source: Company



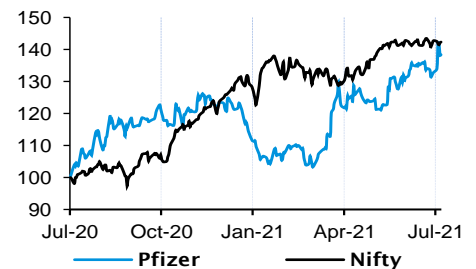
Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	6152	5

Market data

Current price	Rs	5871
Market Cap (Rs.Bn)	(Rs Bn)	268
Market Cap (US\$ Mn)	(US\$ Mn)	3603
Face Value	Rs	10
52 Weeks High/Low	Rs	6107/4180
Average Daily Volume	('000)	127
BSE Code		500680
Bloomberg		PFIZER:IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-21	Mar-21
Promoters	63.92	63.92
FII	1.95	1.89
DII	14.96	14.64
Others	19.17	19.55
Total	100	100

Source: BSE

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Key Highlights

Particulars (Rs. mn)	Q1FY22	Q4FY21	Q1FY21	% yoy	% qoq	FY21	FY20	% growth
Net Sales	7492	5348	5149	46%	40%	22386	21517	4%
Raw material costs	2745	1958	1776			7977	7924	
Employee costs	944	948	859			3611	3645	
Other Expenses	946	1184	651			3676	4222	
Total Expenses	4634	4090	3286	41%	13%	15264	15791	
EBITDA	2858	1257	1863	53%	127%	7121	5726	24%
EBITDA margins	38.1%	23.5%	36.2%			31.8%	26.6%	
Interest	23	35	30			151	109	
Depreciation	270	273	271			1094	1032	
Other Income	122	372	172	-29%	-67%	811	1840	
Profit before tax	2687	1321	1733	55%	103%	6687	6425	4%
Tax	688	315	489			1711	1334	
Profit after tax	1999	1006	1245	61%	99%	4976	5091	-2%
PAT margins	26.7%	18.8%	24.2%			22.2%	23.7%	
Equity	457.5	457.5	457.5			457.5	457.5	
Earnings per share	43.7	22.0	27.2			108.8	111.3	

Robust sales growth across 9 of top 10 products

EBITDA growth stronger with margin improvement and cost controls

Highest ever PAT margins

Profitability	Q1FY22	Q4FY21	Q1FY21	bps +/- y	bps +/- q1FY21	FY21	FY20	bps +/-
Gross margin	63.4	63.4	65.5	-215	-3	64.4	63.2	119
EBITDA margin	38.1	23.5	36.2	196	1463	31.8	26.6	520
PBT margin	35.9	24.7	33.7	221	1117	29.9	29.9	1
PAT margin	26.7	18.8	24.2	252	788	25.6	20.8	483

Expenses contribution to sales	Q1FY22	Q4FY21	Q1FY21	FY21	FY20
Raw materials	37	37	34	36	37
Employee costs	13	18	17	16	17
Other expenses	13	22	13	16	20
Tax as % to PBT	26	24	28	26	21

Source: Dalal & Broacha Research, Company

Valuation & Outlook

The second wave hitting India has spurred up the demand for anti-infectives, vitamins and gastroenterology products.

We believe Pfizer will continue to benefit from its acute (Becosules, Gelusil) brands due to increased health awareness and higher consumption of vitamins. Further, its chronic brands (Eliquis, Minipress) will also continue to grow due to customer stickiness.

We also believe the patented products will gradually grow once normalcy is restored in India over the coming quarters. Further, any decision to supply Pfizer's Covid vaccine in India will provide an upside to our estimates.

We have revised our estimates of Sales/EBITDA/PAT for FY22E by 8%/5%/7% and 7%/10%/7% for FY23E in view of the delta variants and ongoing demand in India. Pfizer is also in talks with Government of India to supply its vaccine in the Indian market. If approved, the vaccine sales will provide an upside to our estimates.

At Rs 5841, Pfizer trades at 37x FY23E EPS of Rs 155.8. We have valued Pfizer as a weighted average (50:50) of 30x EV/EBITDA and 40x P/E and arrived at a target price of Rs 6152.

In view of the recent rally in the stock, we revise our rating from BUY on Dips to ACCUMULATE.

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