



Pfizer Limited

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February 5, 2016

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Dear Sirs,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations').

Pursuant to the Regulation 30 of the Listing Regulations, we enclose herewith the transcript of the tele conference call with the analysts held on February 4, 2016, to discuss the Company's financial performance for the quarter ended December 31, 2015.

The aforesaid information will be displayed on the website of the Company in compliance with Regulation 46 of the Listing Regulations.

Please take the above on record.

Thanking you,

Yours truly,
For Pfizer Limited

Prajeet Nair
Company Secretary

Encl: A/a.



PFIZER LIMITED

EDITED TRANSCRIPT OF THIRD QUARTER 2015-16 ANALYSTS' TELECONFERENCE CALL

Event Date: February 4, 2016

Start Time: 3.30 pm IST

End Time: 4.10 pm IST

Pfizer Management Participants:

Mr. S. Sridhar – Executive Director

Mr. Ravi Prakash Bhagavathula – Chief Financial Officer





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Moderator:

Ladies and Gentlemen, Good Evening and Welcome to Pfizer's Third Quarter ended 2015-2016 Financial Results Analyst Teleconference. We have with us today Mr. S. Sridhar – Executive Director and Mr. Ravi Prakash – Chief Financial Officer. As a reminder, for the duration of the conference, all participants' are in listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, you may signal an operator by pressing '*' and '0' on your telephone. At this time, I would now like to hand the conference over to Mr. S. Sridhar. Thank you and over to you, Sir.

S. Sridhar:

Thank you, Darryl. Hey, Good afternoon everyone, welcome to the third quarter call. We had our board meeting yesterday post which we published the results, I hope all of you have seen the results and we are having call this afternoon for the third quarter.

We've had a fairly mixed results. We had a top-line growth of about 8%; within that some brands have had little soft growth but majority of the brands have seen a strong double-digit growth. In terms of our profitability, we have seen significant improvement in profitability, predominantly driven by some one-off expenses in the previous year quarter and that is what driving the high growth of profit in the next quarter.

I will talk to you about some of the developments that have happened in the last couple of months impacting our business. One is - Most of you would have seen the NLEM announcement that came in the month of December. So the Health Ministry has published the list of products coming under the revised NLEM 2015; under which 106 drugs have been added, 76 drugs have been deleted and hence now the total coverage goes to about 376 drugs.

We expect the National Pricing Authority to publish the prices shortly. We have made a request to the authorities to start publishing prices in the month of April, so a coincidence with being their fiscal year and also the new WPI pricing kicking off for rest of the products it becomes easy for the industry to kick-off. We have seen significant coverage in terms of Anti-Infective and in CNS and some in



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Respiratory this time around. We are evaluating the impact on it, continue to evaluate it and we will keep you updated on this impact as we progress.

Second is I also want to talk to you about the floods in Chennai, as you know we have had some significant impact in Chennai city on the floods. We did have some impact on our goods also consequent to the damages but we had an insurance cover and we managed to get all the claims reimbursed to us, we have got a conformation in this regard.

As part of company believing in corporate responsibility, we participated by donating medicines, we also took part in medical camps and now we are also taking part in rehabilitation of some homes for the people impacted.

I also wanted to share with you the one big CSR activity which we kicked-off which is the partnership with IIT-Delhi on innovation. We kicked-off this Press Conference in the month of December. We have Mr. Amitabh Kant, Secretary of DIPP being the Guest of Honor. He joined us for the event. We will be rolling out the first grant in the month of February. We have a pretty good hit rate, around 50-60 applications have been received and IIT-Delhi will help to sort out the eligible people. So I thought from innovation perspective and commitment to patent regulation, our commitment to society is very clearly, demonstrated by this program here. Just to let you know this program awards innovation, area of healthcare, it could be in the area of software, hardware devices etcetera, any new eligible start-up it could be individual, companies - we are going to fund up to Rs. 50 lakh per innovation, up to about four innovations in a year. More importantly, Pfizer does not have any say on the patent rights, it is completely with the patent owner. So therefore, it is purely our way of rewarding patent regime and the healthcare in India.

Talking to you briefly, we also surrendered our corporate office in Jogeshwari as of end of January, we have surrendered Jogeshwari office and in the month of November we surrendered the Platina office which was the legacy Wyeth office. So cumulatively we should get about Rs. 2 crore saving per month going forward.



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Regarding industry, I think market is going well approximately 15.1% as for IMS as of December 2015. IMS has reported probably highest growth in the last few years there. The industry sizes about Rs. 1,01,524 crores as of MAT 2015. The MNCs as per IMS is growing at 12.8% with Pfizer Limited growing up from 10.3%. Most of the TAs are growing well. Pfizer's anti-infective reportedly growing pretty well as per IMS there. So I will stop here with regard to the overview.

I will pass it across to Ravi for giving you inside on the financial performance, post which both of us will take Q&A. Over to you, Ravi

Ravi Prakash:

Good afternoon everybody, and welcome from my side as well to the Pfizer Limited third quarter call. I will walk you through the financial performance of the quarter. Let me start with revenue, this quarter we clocked sales revenue of Rs. 500 crores that represents an 8% growth over the same period last year. A couple of comments on the revenue, majority of our brands have done well and have shown double-digit growth. The overall growth rate has been held back a little bit by softness in a couple of brands because of very strong comparatives from last year. So we are now able to consistently clock about Rs. 500 crores per quarter and if you look at the last quarter two performance so that is kind of key take away that I have from our revenue perspective. From a margin perspective, our margins are holding slightly better than last year so there is not much to report. So our gross margins hold well, so our strategy of focusing on the key brands and managing revenue is working well; our margins are holding.

From a cost perspective, this has been a little bit of unusual quarter. What has happened in this quarter, we have had a couple of one-time items as well as an impact due to timing on a couple of other expenses. So we had one off expenses, because of provision we have to make due to the payment of bonus act as well as office relocation, so that has impacted cost this quarter. Also a couple of the CSR investments, that Sridhar talked about as well a couple of other capability investments that we have made have had an impact, that is more a timing impact, so both these happening in the same quarter have impacted cost this time and that is the reason that you see overall cost as a percentage of revenue going up versus the sequential quarter versus the same period last year you would not see a big



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difference because last year, we had a lot of merger related expenses sitting in the expense line. So that is briefly about cost.

Profit before tax and exceptional items was at Rs. 75 crores, up by 65% versus last year. The driver was - we got a benefit of not having the merger related expenses and on top of that the incremental gross margin, some of these two actually drove up the profit before exceptional items and that is what drops down to the profit after-tax as well.

If I look at the overall construct of the P&L, revenue has grown 8%, income has grown 7% but that has kind of drop down to the gross margin which is growing at 9%. Profit after tax and profit before tax both are showing healthy growth. EBITDA as a percentage of sales is down this quarter simply because of the one-off cost that I talked about earlier in my discussion on cost.

So to summarize on a quarterly basis, I think we are at a run rate of about Rs. 500 crores and our EBITDA has taken a one-time hit otherwise we are still around the same range that we communicated in our earlier calls.

I will pause here and hand it over back to Sridhar for any other comments.

S. Sridhar: No, I am happy to take any questions, as of now. Open to you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Mr. Chellappa S from Pari Washington. Please go ahead.

Chellappa S: Good afternoon Sridhar and Ravi. I just want to understand I think because of the Chennai flood there were some damage so, I guess you would have booked some expenses in the expense items, where is the figuring in, could you quantify that?

Ravi Prakash: So the Chennai flood, we have got the insurance claim coming in and the other income line it is Rs. 8 crores in the other income line.

Chellappa S: But you do not have a contra of expenses?

Ravi Prakash: We do in the expense line, in the material cost line.



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- Chellappa S:** In the material cost line, is it?
- Ravi Prakash:** Yes.
- Chellappa S:** Okay, that is fine, okay. And the bonus also could you just quantify what is the impact in the staff cost?
- Ravi Prakash:** That is about Rs. 5 crores that is due to the payment of Bonus Act. It is Statutory.
- Chellappa S:** Yeah, that is right, okay. And any update on Allergan?
- S. Sridhar:** No, comments at this juncture.
- Chellappa S:** Okay. Will you try to open offer in India?
- S. Sridhar:** No, comments at this juncture.
- Moderator:** Thank you. Our next question is from the line of Sudarshan Padmanabhan from Sundaram Mutual Fund. Please go ahead.
- Sudarshan Padmanabhan:** Sir, taking forward from the previous participant there has been also some one-off cost on CSR and office related issues. If you can tell us broadly how much is the impact on the EBITDA probably we can get a more number, which represent the base business performance.
- Ravi Prakash:** I think between the one-off items in the timing it is between about 3.5 - 4 percentage points.
- Sudarshan Padmanabhan:** Sir that is about 400 bps impact on the EBITDA.
- S. Sridhar:** That is correct.
- Sudarshan Padmanabhan:** Sir, coming to the top-line I mean if you can elaborate a bit more on what were the brands that had taken an impact in this quarter and whether do we see the growth coming back and what has really cost the softness in the top-line?



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S. Sridhar: So in the softness in the quarter is basically Prevenar, Prevenar we have had a strong comparative quarter same period last year but more importantly our revenues are holding around 70 odd crores per quarter plus every quarter. So therefore, we are consistent in terms of our numbers clocking every quarter it is just that if you look at the same period last year it is fairly high number therefore the competitive slow out there. We have had a little bit of soft corner on Gelusil purely on a YTD number Gelusil is still strong double-digit but we had a stronger probably a softer quarter in Gelusil comparatively. Wysolone which was a product which we had, respiratory product which is steroid we have had some challenges gone much lower than what is expected that is what has actually given us a little bit more of a negative thing than what we expected. So combination of Prevenar, Gelusil, and Wysolone these three is what has given us a lower softer quarter.

Sudarshan Padmanabhan: Sure. Sir, any comment on Magnex because I think that is another product which has seen some kind of decline at least per the AIOCD?

S. Sridhar: No, Magnex we are doing pretty well, it is a strong double-digit growth for the quarter on Y-T-D.

Moderator: Thank you. Our next question is from the line of Ranjit Kapadia from Centrum Broking. Please go ahead.

Ranjit Kapadia: Sir, my question relates to the products which have gone under price control. If you can quantify what were the annual revenues and what is the impact?

Ravi Prakash: Ranjit, at the moment we are still assessing, I think we will probably be ready to quantify probably by the next call. At the moment we are still in the assessing.

S. Sridhar: I will tell you what, some of these products which have come in are critical care anti-infective products. IMS does not reflect the right price, so, therefore, if I strictly go only by the IMS price I may not currently give a right reflection so, therefore it requires us to recast the competition price because if my price is wrong, we will expect the same thing at competition, because IMS does not really have a very strong hospital coverage there. So, it will require some time for us to confirm that part of it. But from an anti-infective perspective we will have an impact, yes.



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- Ranjit Kapadia:** And if you can quantify what was the growth of Folvite and Corex DX?
- Ravi Prakash:** They have had good growth Ranjit, right, they are both double-digit.
- Ranjit Kapadia:** Okay. And what about Becosules?
- Ravi Prakash:** Same, double-digit, same.
- Moderator:** Thank you. Our next question is from the line of Ravi Mehta from Deep Financial. Please go ahead.
- Ravi Mehta:** One question on this if you can give us a split on the depreciation amount, the amortization and the depreciation.
- Ravi Prakash:** So the amortization of the goodwill, that is what you are talking about, right?
- Ravi Mehta:** Yeah.
- Ravi Prakash:** That is about Rs. 108 crores a year so per quarter it will be approximately Rs. 27 crores.
- Ravi Mehta:** Okay. And when I look at the gross margin, that is raw materials to sales ratio that has gone up sequentially so, is that purely because of the flood impact or...
- Ravi Prakash:** Yeah, there is an impact of the flood in terms of the material cost and one of our ingredient cost is also gone up.
- Ravi Mehta:** Okay. So probably this number can come down in the coming quarters?
- Ravi Prakash:** In the coming quarter the flood impact will come off so, if all other trends hold the same then you should see a slightly lower material cost to sales, if everything else holds the same.
- Moderator:** Thank you. Our next question is from the line of Nikhil Upadhyay from Securities Investment Management. Please go ahead.



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Nikhil Upadhyay: Sir, just on Wysolone, I think few calls back you had mentioned that we were looking for a price increase and we have send to the government for relooking at the pricing of the product, so any take on that because I think you had mentioned that, we were having a negative impact due to this product?

S. Sridhar: So there are about three SKUs, Nikhil. Two SKUs given the price of Prednisolone API have just come down, this turned positive. We are still struggling with one SKU but the NPPA will not pick-up SKU-by-SKU they will look at overall thing there. So the issue what we had about a year back has somewhat soften given the NPPA price increase, therefore at this juncture we are not pushing hard for a price increase secondly, it is a little difficult to push government for bulk price increase. We are struggling but it is still a little difficult game to make as of now.

Nikhil Upadhyay: Okay. And on Corex now till last year I think we had issues with the government being active on Corex sales and also now the things have settled down. Is the Corex brand as a whole not Corex DX the only Corex part of the product segment. Is it growing sufficiently or do you still see that the ground conditions are not favoring growth.

S. Sridhar: We have not seen any incremental challenges in any states as compared to last year so, therefore, if you are taking your last year as a base our growth in Corex remains stable.

Nikhil Upadhyay: Okay. And sir, Corex DX like last time I think it was around for FY15 and it was almost at Rs. 45 or Rs. 48 crores. So it would be growing a bit faster than Corex so should it be off the overall Corex family revenue what part would Corex DX be now?

Ravi Prakash: So I think the base that you had of last year and if you take the Corex DX is actually I would say high double-digit growth mid to high double-digit growth I think that should give you an idea of where it is at the moment heading.

Nikhil Upadhyay: Okay. And if you can just throw some light on the line extension of Becosules which we had launched so how are they fairing and basically what is our proposition when we are launching Beco-VIT or the line extension, so first thing would it be OTC product or would be prescription product and when we are pitching them to a



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doctor so what is our whole theory based on which we see that these products can scale up.

S. Sridhar:

Like we said, line extension is going to be our core strategy going forward on our key brands out here. It will be a combination of RX and RX OTC so, I am not going to call it complete OTC okay, we are not in the league of complete OTC. It will be RX and complete OTC. So Becosules we have launch Becosules Plus which is RX product, we have launch Becosules Performance which is a RX OTC product, Gelusil, we have launched a sachet we have launched Xtra Cool which is again a RX OTC product there. When I say RX OTC we will still continue promoting our efforts to doctors first. We want established doctor prescribing habit and then over a period of time we will take it to OTC. Becosules performance we are already on air with our AD shots for the last three months there. So therefore our strategy will be for initially launch it in the doctor chambers, stabilize it and then pick-up a complete OTC RX product, go on air and try to promote the product there so that is the strategy going forward and that will applicable even Becosules or a Gelusil or even Corex. We have launched about six line extension as of now in various categories just like in any other, if I look on the new product in the industry, we are by far better than what average success for new products is. We do not look at new product as the new products the industry looks into it, we look into the key core brand strategy. So therefore our success level is probably Rs. 5 crores in a year minimum that is why we look at our brand. So by that logic in the first nine months our new products contribute roughly about 1% of our total sales which is much higher than what we were with branded generic which is all five odd percent so, I think our strategy of line extension is working well and that will be strategy going forward a combination of RX and RX OTC.

Nikhil Upadhyay:

And last sir around two years back we had set-up a separate sales team in order to increase our reach in the non-metro part of the country Tier-II and Tier-II markets to grow the Becosules and Corex, key legacy brand. So if you can just throw some light on the journey has been over the two years and are we seeing significant growth or traction in those markets for our brand?



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S. Sridhar: I think like we said one of the reasons why we had a very poor 2013 or 2014 was a top five brands did not fire and therefore over the last couple of years we have to change our strategy and try to get focus on a forming a separate trade team and try and get a little bit penetration into the Tier-II and Tier-III markets like you rightly pointed out. Also combination of FTE and contract filed force. Consequent to our focus there the key product which are Corex, Becosules, or Gelusil all are at very strong double-digit from an early single-digit number what we had two years back. So therefore a strategy of focus, they are really paying for us there and if my top products fair well and I manage to crack some products in the mid-segment I think we are in the right track on our growth.

Nikhil Upadhyay: Okay. Just are we not facing internal competition in those market because on Corex, Becosules most of these product have significant competition so when we are going or our MR is going to a Tier-II, Tier-III market and pitching these products although the brands are very well-known and everything but is competition significant barrier for us, if you can highlight that part?

S. Sridhar: Let me put it this way, let me talk of Becosules. Becosules has its own very niche area in B-Complex segment there, we have a set of doctors who have a certain therapeutic use for B-Complex and therefore prescriptions come in for B-Complex there. As per IMS data our prescription growth is about 20%-25% of Becosules which is not bad, 80%-odd is still re-purchase coming in from the patient that means once the person is onto a Becosules he will buy Becosules. Now our challenge has been over the last few years with multivitamins. So I would not call it a competition I would just call it a market moving towards multivitamin as the economy changes into a different segment there. And therefore, our line extension we are also offering doctors a choice a write a B-Complex or Becosules multivitamin. It could be a drug form with the Becosules Plus it could be a just pure multivitamin with the Becosules Performance. We also launched Becosules Women in our women health team to promote it for Gynaec. So therefore we are segmenting the product to one meet the needs of the consumer or the patients and also to meet the needs of the doctor population so, that is a strategy to adapt a strategy for that. So hence, given Becosules as a brand name and we are able to get this tier kind of



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launches I think we will do reasonably well it will take some time. Obviously I cannot become a 200 crores brand overnight but a combination of all these products over a period of time gives us the strong platform. Could we have gone earlier in these markets? yes, we could have but I think at least even now it is not late for us to get into it and we are getting the traction there given the brand franchise.

Moderator: Thank you. Next question is from the line of Hitesh Mahida from HDFC Life. Please go ahead.

Hitesh Mahida: Sir first thing, sir we have mentioned in the Press Release that we are claiming around Rs. 8 crores from insurance due to Chennai floods. So should we assume that an impact on top-line has been higher than that because of Chennai floods?

S. Sridhar: No.

Hitesh Mahida: Okay, at least that much.

S. Sridhar: It is stock loss.

Hitesh Mahida: Okay. Secondly, sir as far as Prevenar is concerned you mentioned that you have witnessed some slowdown during the quarter, is it primarily because of some of the other brands say maybe Synflorix and all they are sort of catching-up.

S. Sridhar: I did not say, we slow down, I think I said that we had a very strong comparative quarter. I made a statement that we have a very strong 70-odd crores clocking quarter-on-quarter and therefore, if I really look at the history my numbers are pretty consistent and I am getting a Rs. 70 crores – Rs. 75 crores every quarter so there is no slowdown per se. We continue to have leadership position in terms of market share 65 odd %- and we continue to do clock our volumes pretty well in terms of that. So therefore, I think we are doing pretty well in terms of performance.

Hitesh Mahida: Okay, sir. And sir as far as product launches are concerned what sort of therapy segments we are targeting going ahead?



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- S. Sridhar:** I have said that we have about four **TAs** which are focus area. Our focus areas are trade RX, the trade teams which is multivitamins will be one segment where we will be launching it in. We are launching in respiratory segment, we are launching in women health portfolio and we are looking anti-infective as one of the portfolios so, these are the four or five **TAs** where our focus areas will be and where our launches will come in.
- Hitesh Mahida:** Okay, sir. And sir, will there be any patent products which will get launch from Pfizer India?
- S. Sridhar:** No, not at this juncture, no.
- Hitesh Mahida:** And sir as far as pricing policy is concerned have we seen the last of it or we expect more products to come in?
- S. Sridhar:** See pricing policy is now once in a five year cycle my friend and NLEM will get revised once in five years so next revision of NLEM will be 2020 after five years. As and when NLEM get revised, the pricing impact will change so, that is one. So it is going to be once in five year cycle so that is way of the life at the policy currently staying. In between, if NPPA like last time decide to bring in some products certainly into price control, then it will be unfortunate. I am hoping that NPPL does not do that now that we have a very fairly steady pricing policy of market and NLEM linked they should not really make those changes irrationally. So otherwise once in five year you will always see the change.
- Hitesh Mahida:** Okay. And sir, what would your sales growth guidance going ahead?
- S. Sridhar:** So we do not issue guidance's like I said currently Y-T-D we are up about 8% to 9% growth there. We are closing the year and next quarter there. We will have probably a little better quarter than what we have this year therefore leading to the full year growth which is a little better than the Y-T-D growth.
- Moderator:** Thank you. Next question is from the line of Deep Master from Enam Holdings. Please go ahead.



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- Deep Master:** I joined the call about five minutes you were explaining about a 300 - 400 bps margin impact because of the exceptional items, could you just repeat that please.
- Ravi Prakash:** The expenses have been impacted by two kinds of things this quarter, one is one-off expenses that we had those are mainly the provisions for the payment of Bonus Act and our office relocation cost. And the second one is there has been a timing impact of certain expenses which they use to happen in later quarters or some one-off investments so that is how the whole 400 basis points number came about.
- Deep Master:** On the operating margins?
- Ravi Prakash:** Yeah, on the EBITDA margin. Yeah, correct.
- Deep Master:** So that some of the impact will be at the employee expenses well?
- Ravi Prakash:** Okay, that is correct.
- S. Sridhar:** And if there are no other questions Darryl we can close the call there.
- Moderator:** Sure. Mr. Sridhar, would you like to add any closing remarks?
- S. Sridhar:** Yeah, thank you for dialing in for the call guys. I think like I said some of our top products are doing well. It is our strategy of focusing on those products has really paid-off well. We have strong double-digit growth there. We are now focusing on lots and lots of changes over the last few months on our teams out here. We are making far more changes out here which help us to really get our second Tier brands also back on track there. Our line extension are doing well, our strategy of line extension is going to pay-off well. So I think a combination of all these things put together should really put us in a strong foot. Our margins have improved expect for some one-off unexpected expenses this quarter our EBITDA margins are lower otherwise we should be on track with EBITDA margins if you remove those one-offs as we committed in the early 20%-22% range in the short-term. So thank you for dialing-in, thank you for time. Talk to you soon and see you in the next quarter. Thank you.



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Moderator: Thank you very much members of the management. We now conclude the Pfizer Third Quarter Ended 2015-16 Financial Results Analyst Teleconference. Thank you for using Chorus Call Conferencing Services. You may now disconnect your lines.

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