

Highest-Ever EBITDA Margins

Est. Vs. Actual for Q4FY24: Revenue – **INLINE**; EBITDA Margin – **MISS**; PAT – **MISS**

Changes in Estimates post Q4FY24

FY25E/FY26E: Revenue: -1.9%/-1.7%; **EBITDA Abs.:** -2.6%/-1.7%; **PAT:** 3.6%/3.6%

Recommendation Rationale:

- All reported revenue growth of 7.1% YoY and outpaced the IPM's growth of 6% in Q4FY24. While Chronic growth halved to 6%, Acute therapy segment continued its muted performance in the last quarter.
- A change in product mix, and a higher share of the antidiabetics, vitamins, and Hormones which reported YoY growth of 8.3%, 10.8% and 13.3% respectively, resulted in higher sales growth.
- It reported the EBITDA margins at 22.9%, up 202bps YoY due to an improvement in gross profits and fall in other expenses.

Sector Outlook: **Positive**

Company Outlook & Guidance: Abbott India is growing 1.6 to 1.8 times faster than IPM, based on high brand recognition and an excellent product portfolio.

Current Valuation: PE 42x for FY26E Earnings (Earlier Valuation: PE 42x)

Current TP: Rs 28,500/share (Earlier TP:Rs 28,400/share)

Recommendation: BUY

Financial Performance

All reported revenue growth of 7.1% YoY and outpaced the IPM's growth of 6% in Q4FY24. While Chronic growth halved to 6%, Acute therapy segment continued its muted performance in the last quarter. The company achieved higher sales growth on account of a change in product mix, and a higher share of the antidiabetics, vitamins, and Hormones which reported YoY growth of 8.3%, 10.8% and 13.3% respectively. However, this was partially offset by Mixtard and Novomix, which recorded -0.4% growth and 10.8% de-growth YoY leading to high single-digit topline growth.

In addition, growth in other key therapies such as Anti-infective (+3.5% YoY) and CNS (+1.4% YoY) was below IPM growth. Duphaston (gynaecology) sales stabilised at Rs 395 Cr (Source: AIOCD) in Q4FY24, registering a growth of 4.2% YoY.

The company's gross margins improved by 57bps YoY due to changes in product mix (higher share of Hormones and Vitamins) and a fall in raw material prices. It reported the EBITDA margins at 22.9%, up 202bps YoY due to an improvement in gross profits and fall in other expenses. The company also reported PAT of Rs 287 Cr, recording 24% YoY growth due to high operating profitability.

Outlook: Abbott India's 'Beyond the Pill' strategy, which includes consumer education, diagnosis, treatment, and compliance, is expected to lead to continued growth. Abbott India is growing 1.6 to 1.8 times faster than IPM on account of high brand recognition and an excellent product portfolio.

Key Financials (Consolidated)

(Rs Cr)	Q4FY24	QoQ (%)	YoY (%)	Axis Est.	Variance %
Net Sales	1,439	0.1%	7.1%	1,477	-2.6%
EBITDA	330	-15.0%	17.6%	396	-16.8%
EBITDA Margin	22.9%	-408	205	26.8%	-
Net Profit	287	-7.8%	24.0%	320	-10.3%
EPS (Rs)	135.1	-7.8%	24.0%	150.6	-10.3%

Source: Company, Axis Research

(CMP as of 09th May 2024)

CMP (Rs)	25,647
Upside /Downside (%)	11.1%
High/Low (Rs)	29,638/20,605
Market cap (Cr)	54,390
Avg. daily vol. (6m)Shrs	10,000
No. of shares (Cr)	2.12

Shareholding (%)

	Sep-23	Dec-23	Mar-24
Promoter	75.0	75.0	75.0
FII's	0.2	0.2	0.2
MFs / UTI	6.9	7.3	7.6
Banks	0.0	0.0	0.0
Others	17.4	17.4	17.2

Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	5,849	6,515	7,236
EBITDA	1,453	1,648	1,852
Net Profit	1,201	1,310	1,450
EPS (Rs)	565.3	616.5	682.3
PER (x)	45.4	41.6	37.6
P/BV (x)	14.4	12.4	10.7
EV/EBITDA (x)	14.7	12.6	10.7
ROE (%)	32.5	30.3	28.6

Change in Estimates (%)

Y/E Mar	FY24E	FY25E
Sales	-1.9%	-1.7%
EBITDA	-2.6%	-1.7%
PAT	3.6%	3.6%

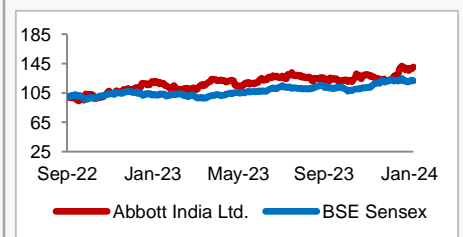
ESG disclosure Score**

Environmental Disclosure	20.8
Social Disclosure Score	21.8
Governance Disclosure Score	84.9
Total ESG Disclosure Score	42.6

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2023 disclosures

Relative performance:



Source: AceEquity, Axis Securities

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Key Highlights

AIOCD Data for Q4FY24: The IPM industry grew 6%, while AIL reported Q3FY24 growth of 8.3% YoY. Key therapies such as Udiliv and Cremaffin Plus grew 25.5% and 42.2% YoY, respectively, while therapies such as RYZODEZ and Duphalac grew 17.3% and -1.5%, respectively. Vertin grew 2.0%. Vitamins and CNS segments registered growth of 11.3% and 1.4%, respectively. Abbott India's key brands in gynaecological therapies such as Duphaston (Rs 395Cr) have stabilized and grew by 4.4% YoY in Q4FY24 (Source: AIOCD). Mankind launched "Dydrogesterone" as a competitor to Duphaston, resulting in lower sales of Duphaston. It is expected that stable sales of the Duphaston brand and an increase in volume of the Thyronorm brand could enable the company to achieve Revenue and PAT CAGR of 11.1% and 12.5%, respectively, in the FY23-FY26E period.

Healthy cashflow generation strengthening balance sheet

AIL generated a healthy cash flow of Rs 1,212 Cr in FY24, increasing cash on the company's balance sheet to Rs 2,100 Cr. The branded business is expected to improve overall profitability. **The company has a strong FCFF and EBITDA of 65% with high return ratios and dividend payout.**

Key Risks to our Estimates and TP

- The launch of similar molecules in the same therapies may impact revenue growth
- Entry of more products into NELM may impact its profitability.
- An increase in Royalty to parents may impact the company's profitability.

Change in Estimates

	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	6,515	7,236	6,640	7,360	-1.9%	-1.7%
EBITDA	1,648	1,852	1,693	1,884	-2.6%	-1.7%
PAT	1,310	1,450	1,265	1,400	3.6%	3.6%

Source: Company, Axis Securities

Results Review

Particulars (Rs Cr)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
Net Sales	1,343	1,479	1,494	1,437	1,439	7.1	0.1
Growth (%)	7.0%	13.4%	8.3%	8.3%	7.1%		
Total Expenditure	1,063	1,124	1,113	1,049	1,109	4.3	5.7
Raw Material Consumed	129	147	140	117	162		
Stock Adjustment	673	592	640	668	747		
Development Costs	-42	85	34	-8	-103		
% of sales	56.6%	55.7%	54.5%	54.1%	56.0%		
Gross margins (%)	43.4%	44.3%	45.5%	45.9%	44.0%	57	-196
Employee Expenses	127	149	143	139	145	14.6	4.4
% of sales	9.4%	10.1%	9.6%	9.7%	10.1%		
Other Expenses	176	151	156	133	158	-10.4	18.4
% of sales	13.1%	10.2%	10.5%	9.3%	11.0%		
EBITDA	280	355	381	388	330	17.6	-15.0
EBITDAM (%)	20.9%	24.0%	25.5%	27.0%	22.9%	205	-408
Interest	4	3	3	3	3		
Depreciation	17	17	18	18	18		
Other Income	50	56	56	56	81		
PBT	308	391	415	422	390	26.3	-7.7
Tax	77	100	102	111	103		
Tax (%)	25.0%	25.7%	24.7%	26.3%	26.3%		
Reported PAT	231	290	313	311	287	24.0	-7.8

Source: Company, Axis Securities

Therapy wise breakup

Drug	Therapy	Value (Rs Cr)	YoY (%)
Thyronorm	Hormones	638	13%
Duphaston	Gynaecological	395	4%
Udiliv	Gastrointestinal	550	19%
Vertin	Neuro / CNS	301	8%
Duphalac	Gastrointestinal	311	7%

Source: IPM

Financials (consolidated)

Profit & Loss

(Rs Cr)

Particulars (Rs Cr.)	FY23	FY24	FY25E	FY26E
Net Sales	5,349	5,849	6,515	7,236
Growth (%)	8.7%	9.4%	11.4%	11.1%
Total Expenditure	4,143	4,396	4,867	5,384
Raw Material Consumed	2,975	3,221	3,557	3,936
Gross margins (%)	44.4%	44.9%	45.4%	45.6%
Employee Expenses	564	577	652	724
% of sales	10.5%	9.9%	10.0%	10.0%
Other Expenses	605	599	658	724
% of sales	11.3%	10.2%	10.1%	10.0%
EBIDTA	1,206	1,453	1,648	1,852
EBITDAM (%)	22.5%	24.8%	25.3%	25.6%
Depreciation	70	71	84	100
EBIT	1,136	1,382	1,564	1,752
EBITM (%)	21.2%	23.6%	24.0%	24.2%
Interest	16	12	12	12
Other Income	154	248	206	211
PBT	1,274	1,618	1,758	1,951
Tax Rate (%)	25.5%	25.7%	25.5%	25.7%
Tax	324	417	448	502
Reported PAT	950	1,201	1,310	1,450

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E Mar, Rs. Cr	FY23	FY24	FY25E	FY26E
Share Capital	21.3	21.3	21.3	21.3
Reserves & Surplus	3,167	3,678	4,297	5,056
Shareholders Fund	3,189	3,699	4,318	5,078
Total Loan	113	83	83	83
Trade Payables	892	1,003	1,125	1,249
Provisions	220	252	262	272
Other Liabilities	142	157	177	197
Total Liabilities	4,555	5,193	5,965	6,878
Gross Block	252	340	420	500
Depreciation	122	193	277	377
% of GB	48.3%	56.7%	65.9%	75.3%
Net Block	130	147	143	123
Fixed Assets	241	235	231	211
Deferred Tax Asset(Net)	17	0	0	0
Long Term Loans & Advances	0	0	0	0
Other Non Current Assets	1,273	1,713	1,785	1,982
Inventories	649	620	714	793
Trade Receivables	317	319	357	396
Cash & Cash Equivalents	1,937	2,134	2,695	3,303
Loans & Advances	0	0	0	0
Other Assets & Liabilities	1,395	1,885	1,968	2,175
Total Assets	4,555	5,193	5,965	6,878

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E Mar, Rs Cr	FY23	FY24	FY25E	FY26E
PBT	1,274	1,618	1,758	1,951
Add: Depreciation	70	71	84	100
Add: Interest	16	12	12	12
Cash flow from operations	1,360	1,701	1,854	2,063
Change in working capital	1,325	306	63	172
Taxes	324	417	448	502
Net cash from operations	-290	979	1,343	1,390
Capital expenditure	-80	-95	-80	-80
Net cash from investing	-80	-95	-80	-80
Increase/Decrease in debt	113	-30	0	0
Dividends	-584	-691	-691	-691
Proceedings from equity	0	0	0	0
Others	45	46	-0	-0
Net cash from financing	-443	-687	-703	-703
Net Inc./(Dec.) in Cash	-812	197	561	608
Opening cash balance	2,749	1,937	2,134	2,695
Closing cash balance	1,937	2,134	2,695	3,303

Source: Company, Axis Securities

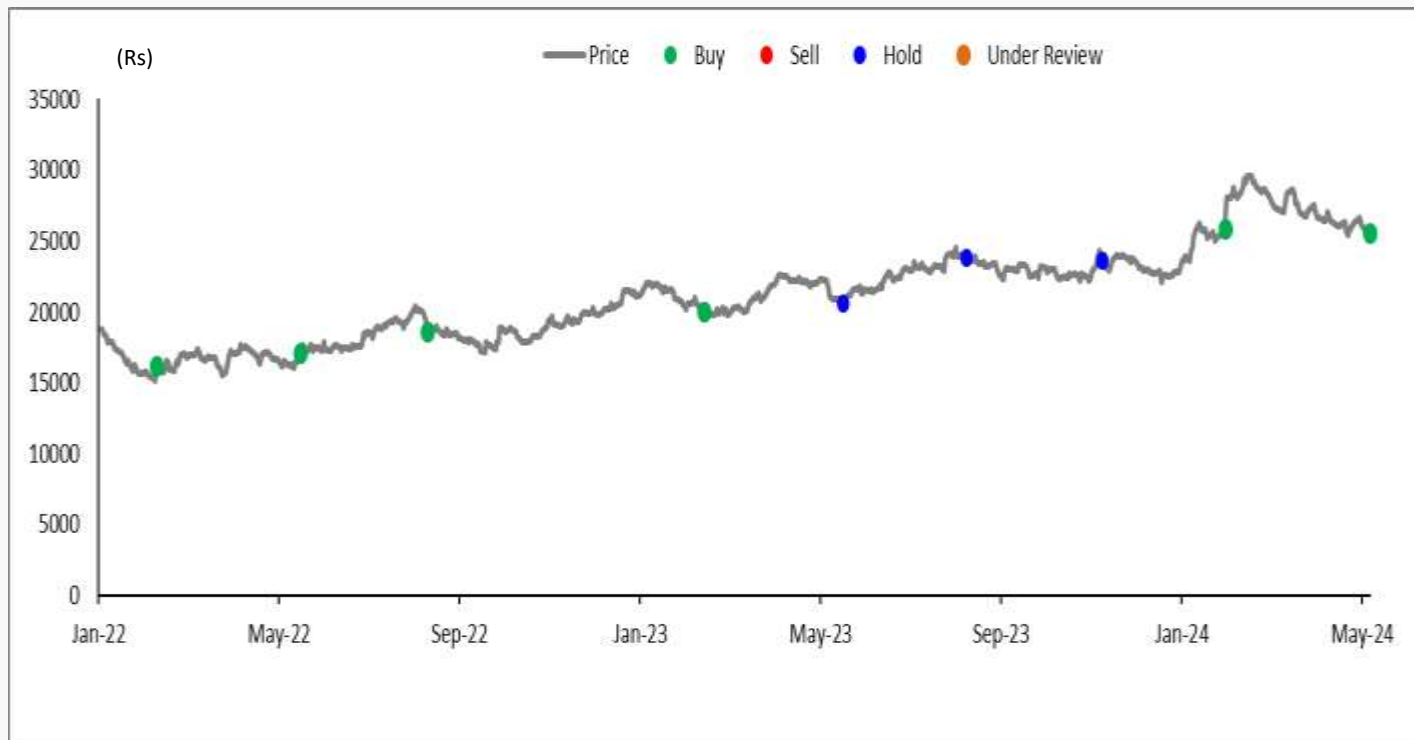
Ratio Analysis

(%)

Y/E March	FY23	FY24	FY25E	FY26E
Operational Ratios				
Sales growth (% YoY)	8.7	9.4	11.4	11.1
EBITDA growth (% YoY)	10.9	20.5	13.4	12.4
Net Profit growth (% YoY)	18.9	26.5	9.0	10.7
EBITDA Margin %	22.5	24.8	25.3	25.6
Net profit Margin %	17.8	20.5	20.1	20.0
Tax Rate %	25.5	25.7	25.5	25.7
Efficiency Ratios				
Total Asset Turnover (x)	1.2	1.1	1.1	1.1
Sales/Gross block (x)	21.2	17.2	15.5	14.5
Sales/Net block(x)	41.1	39.7	45.5	58.7
Working capital/Sales (x)	0.01	-0.01	-0.01	-0.01
Valuation Ratios				
PER (x)	57.4	45.4	41.6	37.6
P/BV (x)	17.1	14.7	12.6	10.7
EV/Ebitda (x)	17.6	14.4	12.4	10.7
EV/Sales (x)	4.0	3.6	3.1	2.7
Dividend Yield (%)	1.1	1.3	1.3	1.3
Return Ratios				
ROE	29.8	32.5	30.3	28.6
ROIC	43.4	45.2	47.8	49.0

Source: Company, Axis Securities

Abbott India Price Chart and Recommendation History



Date	Reco	TP	Research
10-Feb-22	BUY	20,000	Result Update
18-May-22	BUY	20,000	Result Update
12-Aug-22	BUY	20,800	Result Update
15-Feb-23	BUY	23,000	Result Update
22-May-23	HOLD	22,000	Result Update
11-Aug-23	HOLD	25,000	Result Update
13-Nov-23	HOLD	25,000	Result Update
02-Feb-24	BUY	28,400	Result Update
10-May-24	BUY	28,500	Result Update

Source: Axis Securities

About the analyst



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Sector: Midcaps/ Pharma Sector

Analyst Bio: Ankush Mahajan is MBA (Finance) from SMVDU with over 12 years of research experience in the Midcaps/ Pharma Sector

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HOLD	Between 10% and -10%
SELL	Less than -10%
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