

New power-brands drive growth; legacy brands steady...

About the stock: Abbott India is one of the fastest growing listed MNC pharma companies. It has outperformed the industry on a consistent basis in women's health, GI, metabolic, pain, CNS among others.

- The company's top five brands - (Mixtard, Thyronorm, Novomix, Udiliv and Duphaston) together posted revenue CAGR of ~6.6% MAT, March 2019-22
- Abbott has 140+ brands in segments of women's health, gastroenterology, metabolics, CNS, multi-specialty, vaccines & consumer health

Q4FY22 Results: Abbott India's numbers were strong on the back of 14.2% YoY growth in top five therapies (anti-diabetic, GI, VMN, anti-infective, CNS) according to MAT March 2022, IQVIA.

- Sales were up 15% YoY to ₹ 1255 crore
- EBITDA was at ₹ 294 crore, up 43% YoY with margins at 23.4%
- Consequent PAT was at ₹ 211 crore (up 39% YoY)

What should investors do? Abbott's share price has grown by ~2.5x over the past three years (from ~₹ 7191 in May 2019 to ~₹ 17636 levels in May 2022).

- Maintain **BUY** rating due to 1) strong power brands, 2) focused approach in key growth therapies, 3) growing traction for ex-top 10 brands (up 17% YoY)

Target Price and Valuation: Valued at ₹ 20560 i.e. 40x P/E on FY24E EPS of ₹ 514

Key triggers for future price performance:

- Consistency in brand-driven growth driven by favourable market dynamics with doctor prescription stickiness and lower perceived risk factors
- NLEM price hike of ~10.8% for estimated NLEM portfolio exposure of ~21% for Abbott may have positive impact on price led growth
- Focus on new launches, which is fairly consistent (+100 launches and line extensions in the last 10 years)
- Future launches from key divisions, along with brand extensions and access to innovative molecules from global parent to drive growth

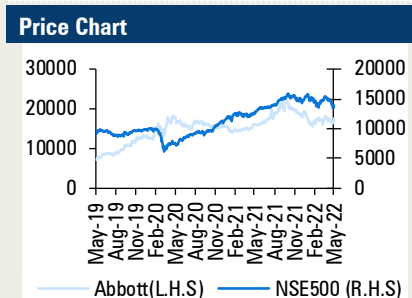
Alternate Stock Idea: Apart from Abbott, in our healthcare coverage we like Pfizer.

- 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
- BUY with target price of ₹ 5350



Particulars	
Particular	Amount
Market Capitalisation	₹ 37475 crore
Debt (FY22)	₹ 0 crore
Cash (FY22)	₹ 2749 crore
EV	₹ 34725 crore
52 week H/L	23902/15525
Equity capital	₹ 21.3 crore
Face value	₹ 10

Shareholding pattern				
(in %)	Jun-21	Sep-21	Dec-21	Mar-22
Promoter	75.0	75.0	75.0	75.0
Others	25.0	25.0	25.0	25.0



- ### Recent Event & Key risks
- Inclusion of Thyronorm under price control
 - Key Risk:** (i) Product addition in NLEM list (ii) Higher than expected competition

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Key Financial Summary

Key Financials (₹ Crore)	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Revenues	4093.1	4310.0	4919.3	11.1	5509.6	6170.7	7.8
EBITDA	756.4	921.5	1087.7	22.3	1260.5	1465.9	10.5
EBITDA margins (%)	18.5	21.4	22.1		22.9	23.8	
Net Profit	592.9	690.7	798.7	23.6	934.6	1092.3	11.0
EPS (₹)	279.0	325.0	375.9		439.8	514.0	
PE (x)	63.2	54.3	46.9		40.1	34.3	
RoCE (%)	30.7	33.8	36.6		37.9	36.3	
ROE	24.4	26.5	28.3		29.5	28.1	

Key takeaways of recent quarter & conference call highlights

Q4FY22 Results: Strong revenues with better margins

- Revenues grew 15% YoY to ₹ 1255 crore. EBITDA margins expanded 465 bps YoY to 23.4% mainly on the back of lower other expenditure. EBITDA for the quarter grew 43% YoY to ₹ 294 crore. PAT was up 39% YoY to ₹ 211 crore. The board of directors recommended a final dividend of ₹ 145 per equity share and special dividend of ₹ 130 per equity share for FY22
- Abbott India's numbers were strong on the back of 14.2% YoY growth in top five therapies (anti-diabetic, GI, VMN, anti-infective, CNS) according to MAT March 2022, IQVIA. Abbott closed FY22 with 14.1% growth to ₹ 4919 crore led by contribution from, volume: 7.6%, price: 5.6% and new launches: 0.9%. Notwithstanding quarterly gyrations, we remain positive on the company due to its robust and sustainable business model backed by stable growth, debt-free b/s, favourable market dynamics with doctor prescription stickiness and lower perceived risk factors. We continue to believe in Abbott's strong growth track in power brands and capability of new launches on a fairly consistent basis

Exhibit 1: Top Therapies (values in ₹ crore)

Therapy	Mar-19	Mar-20	Mar-21	Mar-22	GAGR 19-22
ANTI DIABETIC	2256.4	2435.1	2491.7	2668.9	5.8%
GASTRO INTESTINAL	1141.2	1241.6	1391.9	1603.1	12.0%
VITAMINS/MINERALS/NUTRIENTS	724.5	776.4	961.1	1113.9	15.4%
ANTI-INFECTIVES	597.5	708.6	652.8	970.1	17.5%
NEURO / CNS	728.7	774.3	827.3	869.5	6.1%
CARDIAC	555.9	557.9	644.5	705.7	8.3%
HORMONES	513.0	570.3	602.7	650.6	8.2%
GYNAEC.	445.1	500.8	438.4	467.4	1.6%
RESPIRATORY	401.3	380.7	265.4	444.6	3.5%
HEPATOPROTECTIVES	265.4	293.4	317.4	403.2	15.0%
Top 10 Therapies	7629.1	8239.0	8593.2	9897.2	9.1%
Total IQVIA Sales	8882.4	9562.5	9871.2	11260.7	8.2%

Source: MAT TSA, IQVIA; Company

Exhibit 2: Power brands (value in ₹ crore)

Brand	Therapy	Mar-19	Mar-20	Mar-21	Mar-22	GAGR 19-22
MIXTARD	ANTI DIABETIC	688.3	744.0	824.5	839.4	6.8%
THYRONORM	HORMONES	358.1	399.2	423.6	463.3	9.0%
NOVOMIX	ANTI DIABETIC	413.7	440.4	439.7	450.7	2.9%
UDILIV	GASTRO INTESTINAL	248.4	274.2	301.6	386.0	15.8%
DUPHASTON	GYNAECOLOGICAL	334.4	381.5	326.6	330.4	-0.4%
RYZODEG	ANTI DIABETIC	195.3	254.1	241.9	317.7	17.6%
VERTIN	NEURO / CNS	164.9	193.1	229.3	256.4	15.9%
NOVO RAPID	ANTI DIABETIC	196.1	214.8	217.5	235.7	6.3%
DUPHALAC	GASTRO INTESTINAL	163.7	175.0	201.0	229.5	11.9%
INFLUVAC	ANTI-INFECTIVES	135.6	165.3	218.7	226.3	18.6%
Top 10 brands		2898.4	3241.6	3424.3	3735.5	8.8%

Source: MAT TSA, IQVIA; Company

Exhibit 3: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
Hospitals																					
Apollo Hospitals	APOHOS	3813	5,480	Buy	54827	7.9	67.2	81.3	105.5	485.1	56.7	46.9	36.2	6.3	16.4	18.2	20.7	2.5	17.5	18.1	19.9
Narayana Hrudalaya	NARHRU	677	765	Buy	13827	-0.7	17.5	20.1	22.8	NA	38.7	33.6	29.7	1.2	21.2	22.4	21.5	-1.3	24.5	22.3	20.3
Shalby	SHALIM	110	170	Buy	1188	3.9	5.9	5.7	7.2	28.0	18.7	19.1	15.3	6.5	8.9	9.6	10.5	5.1	7.2	6.7	7.9
Aster DM	ASTDM	173	250	Buy	8649	3.0	10.6	17.6	NA	58.5	16.4	9.8	NA	5.4	9.2	12.9	NA	4.4	13.5	18.4	NA
Healthcare Global	HEAGLO	263	240	Hold	3301	-21.7	6.0	3.5	NA	NA	43.9	74.7	NA	-0.9	5.2	7.7	NA	NA	NA	3.4	NA
MNC Pharma																					
Abbott India	ABBIND	17544	20,560	Buy	37280	325.0	375.9	439.8	514.0	54.0	46.7	39.9	34.1	33.8	36.6	37.9	39.4	26.5	28.3	29.5	30.6
P&G Health	MERLIM	4494	4,955	Hold	7460	106.5	121.5	130.5	141.6	42.2	37.0	34.4	31.7	32.2	37.3	34.7	32.8	25.1	29.3	27.0	25.4
Sanofi India	SANOFI	6599	7,740	Hold	15198	207.4	410.1	285.7	276.4	31.8	16.1	23.1	23.9	32.3	33.3	42.3	40.8	24.5	25.9	32.6	31.3
Pfizer	PFIZER	4243	5,350	Buy	19411	108.8	135.2	133.0	148.6	39.0	31.4	31.9	28.6	27.6	27.4	23.6	22.9	20.8	21.7	18.6	18.1
Pharma																					
Ajanta Pharma	AJAPHA	1701	1,955	Buy	14531	74.0	83.4	83.3	97.8	23.0	20.4	20.4	17.4	29.0	27.0	22.9	22.9	21.8	21.8	18.4	18.3
Alembic Pharma	ALEMPHA	748	720	Hold	14703	62.8	27.8	29.7	35.9	11.9	26.9	25.2	20.8	25.1	10.6	11.2	13.8	24.1	10.4	10.3	11.3
Aurobindo Pharma	AURPHA	536	765	Hold	31386	55.0	44.3	53.4	61.2	9.7	12.1	10.0	8.8	16.9	12.5	14.3	15.2	14.7	10.7	11.5	11.7
Biocon	BIOCON	332	380	Hold	39848	6.3	5.7	6.1	11.7	53.0	58.3	54.8	28.4	7.7	7.5	5.0	6.9	9.9	8.1	3.2	5.9
Zydus Lifesciences	CADHEA	349	475	Hold	35734	21.5	21.1	22.4	25.4	16.2	16.5	15.6	13.7	12.6	13.5	13.7	14.6	16.9	14.8	14.0	14.1
Cipla	CIPLA	940	1,095	Buy	75841	29.9	32.9	36.2	42.5	31.5	28.6	26.0	22.1	16.3	16.7	16.7	17.7	13.1	12.7	12.6	13.3
Dr Reddy's Labs	DRREDD	3904	5,160	Buy	64972	117.3	156.5	190.9	236.0	33.3	24.9	20.4	16.5	13.1	15.4	18.6	22.7	11.1	13.1	14.0	15.1
Glenmark Pharma	GLEPHA	402	550	Hold	11354	32.9	44.2	44.2	49.1	12.2	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	989	1,175	Buy	25091	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	412	490	Hold	6558	37.4	28.7	32.5	40.8	11.0	14.4	12.7	10.1	13.7	10.1	10.4	12.2	12.6	8.9	9.2	10.4
Lupin	LUPIN	689	960	Hold	31271	26.9	16.0	29.7	39.4	25.6	43.1	23.2	17.5	9.1	6.0	10.3	12.6	8.8	5.7	9.5	11.3
Natco Pharma	NATPHA	720	955	Hold	13130	24.2	15.1	19.6	23.1	29.8	47.6	36.8	31.2	13.1	7.3	9.7	10.7	10.7	6.4	7.8	8.5
Sun Pharma	SUNPHA	892	1,075	Buy	213961	30.0	33.5	33.8	38.6	29.7	26.6	26.4	23.1	14.2	18.3	17.8	17.8	15.5	16.4	14.4	14.3
Torrent Pharma	TORPHA	2618	3,235	Hold	44304	74.0	67.6	94.7	114.5	35.4	38.7	27.6	22.9	17.7	18.2	21.1	23.5	21.4	17.1	20.3	20.7
Indoco Remedies	INDREM	350	510	Buy	3229	10.1	16.8	21.8	28.4	34.7	20.9	16.0	12.3	11.7	17.5	18.8	24.9	12.1	17.1	18.7	20.2
Caplin Point	CAPPOI	720	895	Buy	5454	81.7	85.3	68.3	70.8	8.8	8.4	10.5	10.2	25.3	23.7	22.5	0.0	20.4	20.2	18.5	17.5
Advanced Enzymes	ADVENZ	283	380	Buy	3164	13.1	11.3	13.6	15.8	21.6	25.2	20.8	17.9	19.4	15.4	16.7	17.2	15.1	11.6	12.4	12.7
Hester Biosciences	HESPHA	2386	2,780	Hold	2029	44.4	47.2	52.0	71.4	53.8	50.6	45.9	33.4	16.2	12.8	14.3	17.3	16.5	15.5	15.1	17.8
API/CRAMS																					
Divi's Lab	DIVLAB	4303	5,335	Buy	114240	74.7	107.8	108.4	126.4	57.6	39.9	39.7	34.0	27.6	30.1	27.7	27.5	21.3	25.4	21.7	21.6
Hikal	HIKCHE	395	500	Buy	4865	10.8	14.6	17.1	22.6	36.5	27.0	23.0	17.4	15.1	15.7	16.0	19.1	14.3	16.7	16.8	18.8
Syngene Int.	SYNINT	559	730	Buy	22403	10.1	9.9	11.4	15.5	55.2	56.6	49.2	36.1	11.5	11.7	12.2	15.7	13.5	12.9	12.3	14.4
Granules India	GRANUL	251	360	Buy	6219	22.2	16.2	19.4	25.8	11.3	15.5	12.9	9.7	24.0	16.2	17.4	20.2	25.3	15.8	16.1	17.8
Laurus Labs	LAULAB	559	690	Buy	30049	18.3	15.4	20.6	26.5	30.6	36.3	27.1	21.1	31.7	21.3	22.6	24.7	37.9	24.7	25.5	25.3
Suven Pharmaceuticals	SUVPH	516	555	Hold	13132	14.2	17.8	17.0	18.5	36.2	28.9	30.3	27.8	31.2	37.5	28.5	26.0	30.7	29.7	23.0	20.8

Source: ICICI Direct Research

Financial Summary

Exhibit 4: Profit and loss statement					₹ crore
Year-end March	FY21	FY22	FY23E	FY24E	
Total Operating Income	4,310.0	4,919.3	5,509.6	6,170.7	
Growth (%)	5.3	14.1	12.0	12.0	
Raw Material Expenses	2,390.9	2,657.2	2,940.6	3,193.0	
Gross Profit	1,919.1	2,262.1	2,569.0	2,977.7	
Gross Profit Margins (%)	44.5	46.0	46.6	48.3	
Employee Expenses	492.6	579.5	647.4	740.5	
Other Expenditure	505.0	594.9	661.1	771.3	
Total Operating Expenditure	3,388.6	3,831.6	4,249.1	4,704.8	
EBITDA	921.5	1,087.7	1,260.5	1,465.9	
Growth (%)	21.8	18.0	15.9	16.3	
Interest	18.3	19.1	19.1	19.1	
Depreciation	58.1	66.1	74.6	79.1	
Other Income	80.9	77.2	82.6	92.6	
PBT before Exceptional Items	926.0	1,079.7	1,249.4	1,460.2	
Less: Exceptional Items	0.0	0.0	0.0	0.0	
PBT after Exceptional Items	926.0	1,079.7	1,249.4	1,460.2	
Total Tax	235.3	281.0	314.9	368.0	
PAT before MI	690.7	798.7	934.6	1,092.3	
PAT	690.7	798.7	934.6	1,092.3	
Growth (%)	16.5	15.6	17.0	16.9	
EPS (Adjusted)	325.0	375.9	439.8	514.0	

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement					₹ crore
Year-end March	FY21	FY22	FY23E	FY24E	
Profit/(Loss) after taxation	690.5	790.7	934.6	1,092.3	
Add: Depreciation & Amortization	58.1	66.1	74.6	79.1	
Net Increase in Current Assets	-113.7	-19.0	-120.7	-118.1	
Net Increase in Current Liabilities	125.0	147.9	126.2	119.0	
Others	-33.1	-38.1	19.1	19.1	
CF from Operating activities	726.7	947.7	1,033.8	1,191.4	
(Purchase)/Sale of Fixed Assets	-23.2	-43.8	-30.0	-30.0	
Investments	-135.1	-421.0	0.0	0.0	
Others	225.0	494.7	-11.6	-10.6	
CF from Investing activities	66.7	29.9	-41.6	-40.6	
(inc)/Dec in Loan	0.0	0.0	0.0	0.0	
Dividend & Dividend tax	-531.2	-584.4	-584.4	-371.9	
Other	-50.6	-53.0	-19.1	-19.1	
CF from Financing activities	-581.8	-637.4	-603.5	-391.0	
Net Cash Flow	211.7	340.2	388.8	759.8	
Cash and Cash Equivalent	2,197.4	2,409.0	2,749.2	3,138.0	
Cash	2,409.0	2,749.2	3,138.0	3,897.8	
Free Cash Flow	703.6	903.8	1,003.8	1,161.4	

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet					₹ crore
Year-end March	FY21	FY22	FY23E	FY24E	
Equity Capital	21.3	21.3	21.3	21.3	
Reserve and Surplus	2,580.9	2,798.5	3,148.7	3,869.1	
Total Shareholders funds	2,602.2	2,819.8	3,170.0	3,890.4	
Total Debt	0.0	0.0	0.0	0.0	
Deferred Tax Liability	0.0	0.0	0.0	0.0	
Long-Term Provisions	89.8	92.4	101.6	111.8	
Lease Liability	117.7	108.7	97.9	88.1	
Source of Funds	2,809.6	3,020.9	3,369.5	4,090.3	
Gross Block - Fixed Assets	381.2	467.5	497.5	527.5	
Accumulated Depreciation	130.4	196.5	271.2	350.3	
Net Block	250.8	271.0	226.4	177.2	
Capital WIP	0.7	0.7	0.7	0.7	
Fixed Assets	251.4	271.7	227.0	177.9	
Investments	0.0	0.0	0.0	0.0	
Other Non Current Assets	70.5	99.4	109.4	120.3	
Inventory	717.6	687.8	761.2	826.5	
Debtors	250.2	288.2	322.7	361.5	
Loans and Advances	5.0	0.0	0.0	0.0	
Other Current Assets	136.7	127.8	140.6	154.7	
Cash	2,409.0	2,749.2	3,138.0	3,897.8	
Total Current Assets	3,518.5	3,853.0	4,362.5	5,240.5	
Creditors	762.7	889.5	984.3	1,068.8	
Provisions	116.0	127.9	140.6	154.7	
Other Current Liabilities	152.2	185.9	204.5	224.9	
Total Current Liabilities	1,030.9	1,203.2	1,329.4	1,448.4	
Net Current Assets	2,487.7	2,649.9	3,033.1	3,792.1	
Application of Funds	2,809.6	3,020.9	3,369.5	4,090.3	

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
Year-end March	FY21	FY22	FY23E	FY24E
Per share data (₹)				
Reported EPS	325.0	375.9	439.8	514.0
Cash EPS	77.4	132.0	299.9	346.3
BV per share	1,224.6	1,327.0	1,491.8	1,830.8
Cash per Share	1,133.7	1,293.8	1,476.7	1,834.3
Dividend per share	275.0	275.0	175.0	205.0
Operating Ratios (%)				
Gross Profit Margins	44.5	46.0	46.6	48.3
EBITDA margins	21.4	22.1	22.9	23.8
PAT Margins	16.0	16.2	17.0	17.7
Cash Conversion Cycle	14.3	-6.3	-6.3	-6.3
Asset Turnover	11.3	10.5	11.1	11.7
EBITDA conversion Rate	78.9	87.1	82.0	81.3
Return Ratios (%)				
RoE	26.5	28.3	29.5	28.1
RoCE	33.8	36.6	37.9	36.3
RoIC	226.0	402.1	558.9	809.8
Valuation Ratios (x)				
P/E	54.3	46.9	40.1	34.3
EV / EBITDA	38.1	31.9	27.2	22.9
EV / Net Sales	8.1	7.1	6.2	5.4
Market Cap / Sales	8.7	7.6	6.8	6.1
Price to Book Value	14.4	13.3	11.8	9.6
Solvency Ratios				
Debt / EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	1.1	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%



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ANALYST CERTIFICATION

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