



**3R MATRIX**

	+	=	-
Right Sector (RS)	Green	Grey with check	Red
Right Quality (RQ)	Green with check	Grey	Red
Right Valuation (RV)	Green with check	Grey	Red

+ Positive = Neutral - Negative

**What has changed in 3R MATRIX**

	Old		New
RS	Green	↓	Grey
RQ	Green	↔	Green
RV	Green	↔	Green

**ESG Disclosure Score** NEW

**ESG RISK RATING** 25.00  
Updated Jan 19, 2022

**Medium Risk**

NEGL	LOW	MED	HIGH	SEVERE
0-10	10-20	20-30	30-40	40+

Source: Morningstar

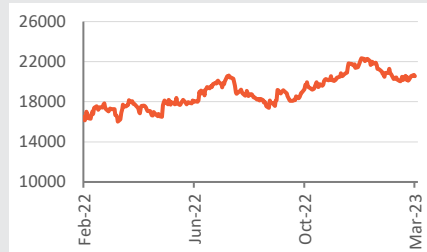
**Company details**

Market cap:	Rs. 44,073 cr
52-week high/low:	Rs. 22,499 / 15,870
NSE volume: (No of shares)	0.3 lakh
BSE code:	500488
NSE code:	ABBOTINDIA
Free float: (No of shares)	0.5 cr

**Shareholding (%)**

Promoters	75.0
FII	0.2
DII	8.4
Others	16.4

**Price chart**



**Price performance**

(%)	1m	3m	6m	12m
Absolute	0.0	-2.8	10.2	17.3
Relative to Sensex	3.6	4.1	14.0	12.5

Sharekhan Research, Bloomberg

**Abbott India Ltd**

**India sales stays ahead of market trend**

<b>Pharmaceuticals</b>	<b>Sharekhan code: ABBOTINDIA</b>		
<b>Reco/View: Buy</b>	↔	<b>CMP: Rs. 20,264</b>	<b>Price Target: Rs. 25,243</b> ↔
↑ Upgrade	↔ Maintain	↓ Downgrade	

**Summary**

- AIOCD data showed that Abbott India's sales growth has been beating Indian Pharma Market (IPM's) growth for the past several months.
- This indicates resilience of the Abbott's key brands across focused therapies such as women's health and gastro (largest contributor to sales).
- Abbott's average revenue growth for Q4FY23E is in line with our estimate. We, hence, maintain our revenue growth estimate at 11.5% CAGR and earnings growth estimate at 16.9% CAGR over FY2022-FY2025E, respectively.
- We continue to value the stock at a P/E of 42x (a 15% discount to historical average) its unchanged FY2025 EPS estimate and maintain PT at Rs. 25,243 and the Buy rating on it.

**Abbott India's sales has been clocking above market (Indian Pharma Market – IPM) growth over the past several months under observation. This indicates resilience of the company's key brands across its focused therapies such as women's health, gastro (largest contributor of sales), metabolics, Central Nervous System (CNS), multi-specialty, vaccines and consumer health. The company eyes market share gains by striving to grow above the IPM growth as it enjoys strong doctor prescription stickiness. Additionally, its focus on innovative marketing and brand building exercises, besides foraging into new age channels such as pharmacy chains and e-pharmacies support its above-IPM growth rate. The average pricing growth of 6.3% YoY every month over the past several months under observation for the industry is favorable as well, for top brands and high-growth companies, such as Abbott India Ltd.**

- **Strong growth run:** Abbott India's sales has been clocking above market (Indian Pharma Markets – IPM's) growth over the last several months under observation. In February 2023 also, the company posted 23% y-o-y growth in India sales vis a vis IPM growth of 20.3% y-o-y for the same month. This indicates resilience of the company's key brands across its focused therapy areas of women's health and gastro.
- **Pricing growth being observed consistently over the last several months:** Consistent growth in pricing for the industry bodes well for top brands and high growth companies, such as Abbott India Ltd.
- **Focused strategy to grow above IPM to support growth:** The company intends to continue to gain market share by striving to grow above IPM growth as it enjoys strong doctor prescription stickiness. Additionally, its focus on innovative marketing and brand-building exercises, besides foraging into new age channels such as pharmacy chains and e-pharmacies support its above-IPM growth rate.

**Our Call**

**Valuation –** Abbott India's strong market leadership in its focused therapy areas such as Gastro and women's health continue to reflect in its lead indicating India sales numbers as well (as reported by AIOCD). The company has been beating IPM growth, consistently over several months, under observation. The average sales for Abbott India in Q4FY23E (January and February 2023), confirms our Q4FY23E revenue growth estimate for it. We, hence, maintain the sales growth estimate at an 11.5% CAGR and earnings estimate at 16.9% CAGR over FY2022-FY2025E, respectively. At CMP, the stock trades at a reasonable levels of 38.3x/33.7x its FY24E/FY25E EPS, respectively. We continue to value it at a PE of 42x (a 15% discount to its historical average) its unchanged FY2025 EPS estimate and maintain the PT at Rs. 25,243 and the Buy rating on it. Healthy growth prospects besides a strong and debt-free balance sheet and a strong dividend payout continue to be the key positives.

**Key Risks**

**Substitution impact:** Most of Abbott's products have a healthy market share and are growing at a strong pace. Substitution from cheaper generics such as Jan Aushadhi or trade generics can impact the overall profitability.

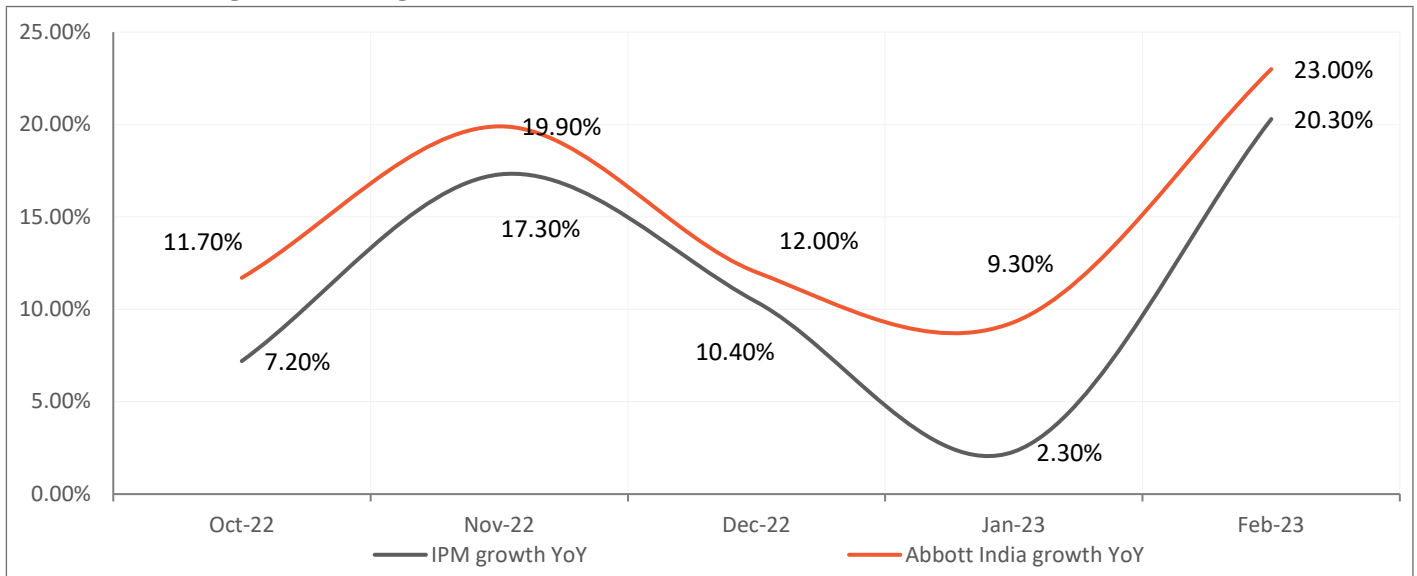
**Valuation (Consolidated)**

	Rs cr				
Particulars	FY2021	FY2022	FY2023E	FY2024E	FY2025E
Net sales	4310.2	4919.3	5410.8	6060.1	6817.6
EBITDA Margin (%)	21.4	22.1	23.7	23.8	24.1
Adj. PAT	690.8	798.7	1000.2	1125.2	1277.2
Adj. EPS (Rs)	325.1	375.9	470.7	529.5	601.0
PER (x)	62.3	53.9	43.1	38.3	33.7
EV/EBITDA (x)	40.7	34.7	28.4	25.0	21.7
ROCE (%)	33.2	35.9	39.2	38.3	37.2
RONW (%)	26.5	28.3	31.3	30.4	29.3

Source: Company; Sharekhan estimates

**Strong growth observed in Abbott India sales over the last several months:** As per the All-Indian Origin Chemists & Distributors Ltd (AIOCD's) data, Abbott India's sales has been clocking above market (Indian Pharma Market – IPM) growth over the last several months under observation. In Feb 2023 also, the company posted 23.0% y-o-y growth in India sales vis-a-vis IPM growth of 20.3% YoY for the same month. This indicates resilience of the company's key brands across its focused therapy areas of women's health, gastro (largest contributor to sales), metabolics, central Nervous System (CNS), multi-specialty, vaccines, and consumer health segments. The company intends to continue to gain market share by striving to grow above IPM growth as it enjoys strong doctor prescription stickiness. Additionally, its focus on innovative marketing and brand-building exercises, besides foraging into new-age channels such as pharmacy chains and e-Pharmacies support its above-IPM growth rate.

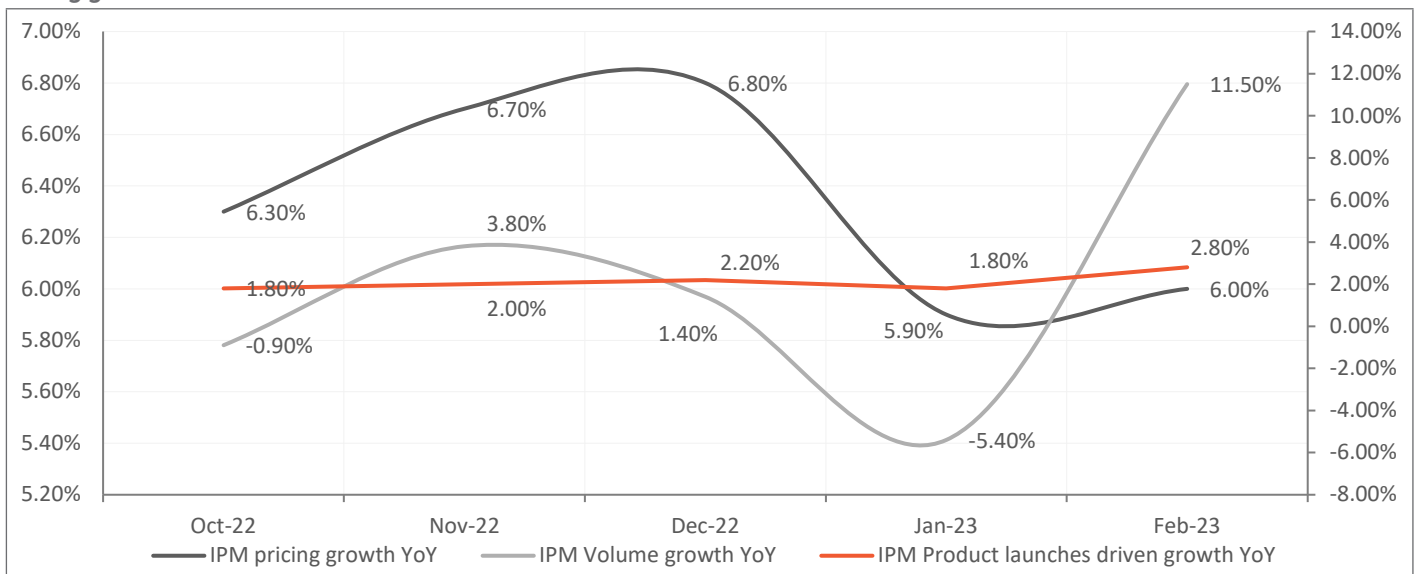
**Abbott India's sales growth vs. IPM growth**



Source: AIOCD and Sharekhan Research

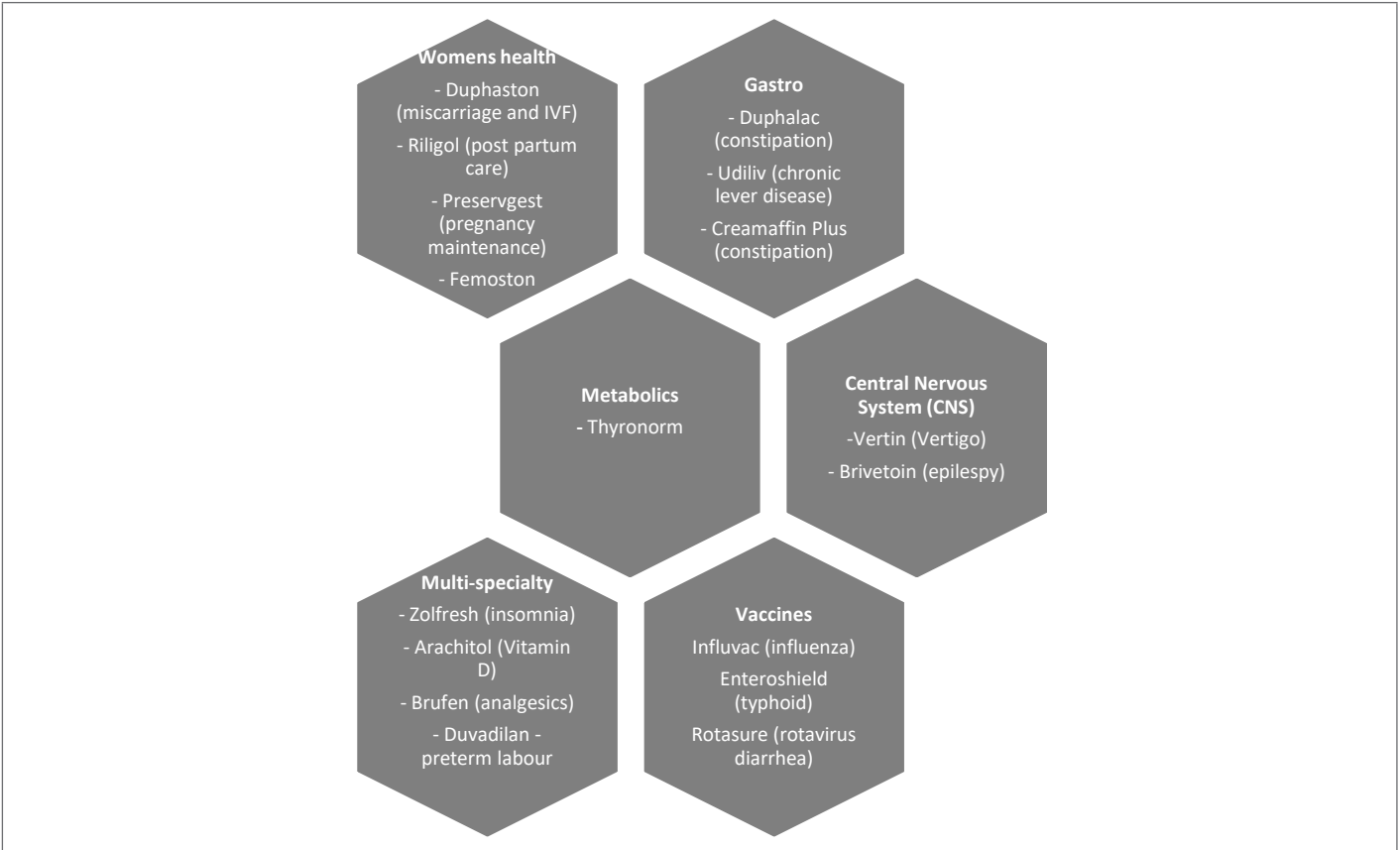
**Pricing growth being observed consistently over the last several months:** The IPM's growth has been driven consistently by an average pricing growth of 6.3% y-o-y every month over the past several months under observation. This indicates that for non-National List of Essential Medicines (NLEM) portfolio, pricing growth has been rather consistent. Abbott India has 26% of its sales falling in NLEM list. Such consistent growth in pricing bodes well for top brands and high growth companies such as Abbott India Ltd.

**Pricing growth in IPM**



Source: AIOCD and Sharekhan Research

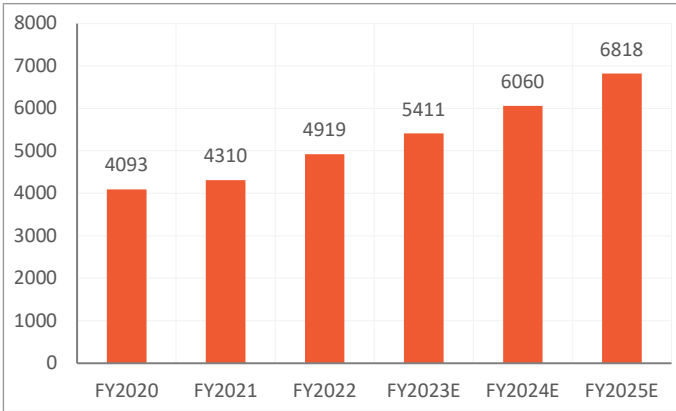
**Top brands of Abbott India**



Source: Company, Sharekhan Research

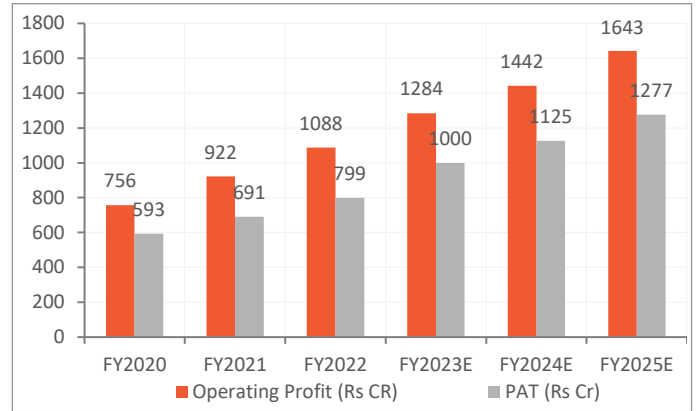
## Financials in charts

### Sales Trends (Rs Cr)



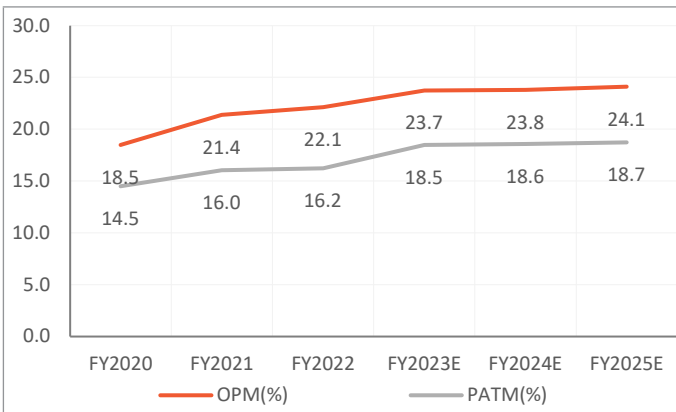
Source: Company, Sharekhan Research

### Operating Profit - PAT Trends



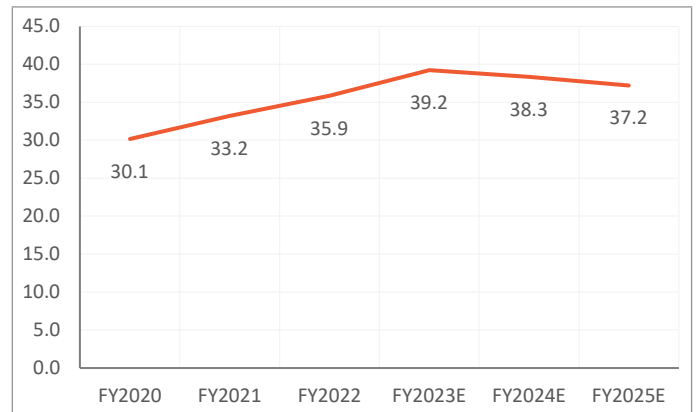
Source: Company, Sharekhan Research

### Margins on an improving trend



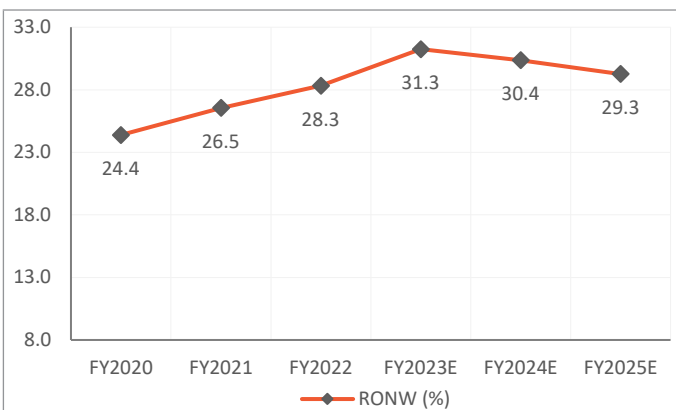
Source: Company, Sharekhan Research

### ROCE (%)



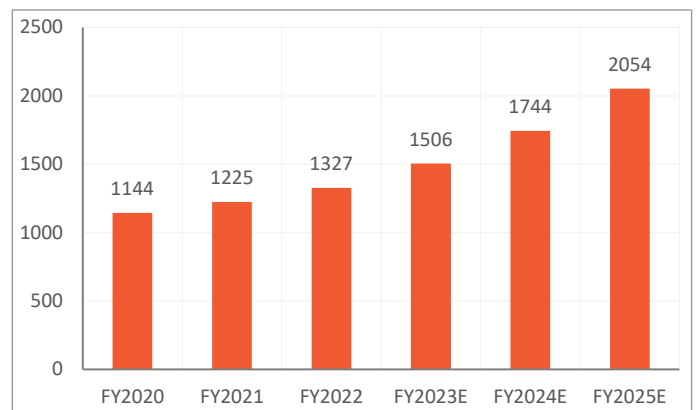
Source: Company, Sharekhan Research

### Return ratios



Source: Company, Sharekhan Research

### Book Value (Rs Per share)



Source: Company, Sharekhan Research

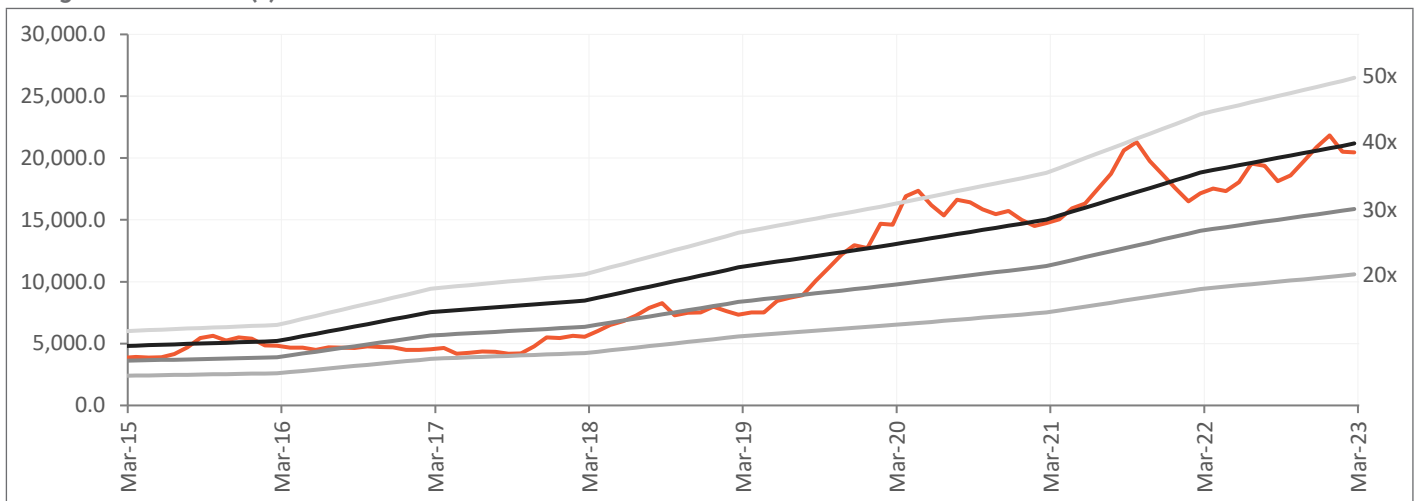
## Outlook and Valuation

■ **Sector View – Regulatory concerns and pricing erosion prove a hurdle over short – medium term:** Over the years, Indian pharmaceutical companies have established themselves as dependable source for global pharma companies. The confluence of other factors, including a focus on specialty/complex products in addition to emerging opportunities in the API space, would be key growth drivers over the long term. However, ongoing USFDA plant inspections and a few companies being issued Form 483 with observations points at apparent regulatory concerns emerging. We believe in the near term, based on the headwinds that may drag the performance, especially in the API and CDMO space and for large pharma players seeing USFDA OAI or WL status on their facilities, we have a Neutral view of the sector.

■ **Company Outlook – Ample visibility on earnings growth:** Abbott India is a pharma MNC, with a focus on Indian market. The company's power brands in Indian markets command a leadership position in their respective segments. Pharma MNCs such as Abbott have established key brands that constitute more than half of their revenue (top 10 brands account for over 40% of overall sales). A strong distribution network in metro and tier-I cities and gradually expansion in tier-II and -III cities coupled with a sturdy new product pipeline would drive up the topline. In addition to sustained pricing and new product growth, volumes are also expected to pick up, which bodes well for the company. Lower exposure to regulated markets augurs well as it points to lower compliance costs/hurdles. Further, the gradual shifting of its key products to the Goa plant from third party manufacturers would enable OPM expansion, leading to a healthy 16% PAT CAGR from FY2022 to FY2025. Moreover, Abbott has launched around 15 new products in FY2021 and over 52 new products in the past three years, which are expected to pick up and gain traction in FY2023 and by FY2024-25, the company plans to launch around 100 new products.

■ **Valuation – Maintain Buy with an unchanged PT of Rs. 25,243:** Abbott India's strong market leadership in its focused therapy areas such as Gastro and women's health continue to reflect in its lead indicating India sales numbers as well (as reported by AIOCD). The company has been beating IPM growth, consistently over several months, under observation. The average sales for Abbott India in Q4FY23E (January and February 2023), confirms our Q4FY23E revenue growth estimate for it. We, hence, maintain the sales growth estimate at an 11.5% CAGR and earnings estimate at 16.9% CAGR over FY2022-FY2025E, respectively. At CMP, the stock trades at a reasonable levels of 38.3x/33.7x its FY24E/FY25E EPS, respectively. We continue to value it at a PE of 42x (a 15% discount to its historical average) its unchanged FY2025 EPS estimate and maintain the PT at Rs. 25,243 and the Buy rating on it. Healthy growth prospects besides a strong and debt-free balance sheet and a strong dividend payout continue to be the key positives.

### One-year forward P/E (x) band



Source: Sharekhan Research

### Peer valuation

Particulars	CMP (Rs / Share)	O/S Shares (Cr)	MCAP (Rs Cr)	P/E (x)			EV/EBITDA (x)			RoE (%)		
				FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Sanofi India *	5,746	2.3	13,233	24.7	23.0	21.4	14.2	13.0	11.9	35.7	33.1	31.0
Abbott India	20,264	2.1	43,059	43.1	38.3	33.7	28.4	25.0	21.7	31.3	30.4	29.3

Source: Company, Sharekhan estimates; \* Nos for CY23E/CY24E/CY25E

## About company

Abbott India Limited is part of Abbott's global pharmaceutical business in India and provides quality healthcare through a mix of global and local products for people in India. The company offers high-quality trusted medicines in multiple therapeutic categories such as women's health, gastroenterology, cardiology, metabolic disorders, and primary care. Abbott has strong expertise across product development, manufacturing, sales, and customer service and provides high-quality, reliable products with expert clinical support. Abbott's top brands include the likes of Thyronorm, Duphaston, Udiliv, and Vertin Duphalac.

## Investment theme

Abbott India is an MNC pharma company with a focus on Indian markets. The company's power brands in Indian markets command a leadership position in their respective segments. MNC pharma companies such as Abbott have established strong key brands that form over 50-70% of their revenue. With a strong distribution network, primarily in metro and tier-1 cities, and gradual expansion into tier II and III cities would punch up topline growth. Secondly, Abbott is relatively less exposed to the volatile US pharma market; thus, there is ample visibility for revenue and earnings growth. Moreover, being less exposed to highly regulated markets, the costs of compliance/hurdles are insignificant; and this augurs well for Abbott.

## Key Risks

Substitution impact: Most of Abbott's products have a healthy market share and are growing at a strong pace. Substitution from cheaper generics such as Jan Aushadhi or trade generics can impact the overall profitability of the company.

## Additional Data

### Key management personnel

Mr. Munir Shaikh	Chairman and Non-Executive Director
Mr. Vivek V Kamath	Managing Director
Mr. Rajiv Sonalker	CFO and whole-time Director

Source: Company Website

### Top shareholders

Sr. No.	Holder Name	Holding (%)
1	Canara Robeco AMC	1.49
2	SBI Arbitrage Opportunities Fund	1.07

Source: BSE

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## Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

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