

BUY**TP: Rs 35,292 | ▲ 19%****ABBOTT INDIA**

| Pharmaceuticals

| 11 April 2025

A safe pick amidst tariff woes

- Sales expected to reach USD 1bn, driven by industry-leading MR productivity of Rs 14.9mn by FY27E from Rs 11.5mn in FY24
- Healthy cash balance of Rs 21bn as on FY24 resulted in dividend payout of 72.5%. Expect the payout ratio to increase to 74% by FY27E
- Due to high growth visibility amidst tariff woes, we ascribe a PE of 41x on FY27 to arrive at TP of Rs 35,292. Initiate with a BUY

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Core brands sustaining leadership – Abbott India (BOOT's) top 10 brands contribute ~76% of sales, while its top 20 brands contribute ~90% of sales of the core sales. Currently, the company has leadership in four therapies, namely Women's Health, Gastroenterology, Metabolics and Multi-Specialty. Its top 10 drugs hold the 1st or 2nd rank in their respective therapies. We expect the leadership position to sustain by big brands becoming bigger; hence, we expect core sales to grow by 13% CAGR from FY25-27E vs 9% CAGR from FY22-24.

MR productivity expected to be one of the highest - BOOT has a record of having one of the highest MR productivities in the industry —Rs 11.5 mn p.a., as on FY24. This is driven from MR count of 3,250 in FY24. Abbott has a strategy to sustain its industry-high productivity, hence intends to add nominal 100-150 MRs every year through deepening penetration into tier 2-3 cities, leveraging digital technologies and rationalising costs.

Industry-leading dividend payout – BOOT has a policy of rewarding its shareholders with a hefty dividend as the company is cash-rich. In FY21, the company paid Rs 275 per share as dividend, which has increased to Rs 410 in FY24. We believe that the company would continue its policy of paying high dividend. It will retain its payout ratio of 73%, which implies that it would have a DPS of Rs 470, Rs 540 and Rs 620 for FY25E, FY26E and FY27E respectively.

Outlook - The company also has a track record of launching 8-10 new products every year, which aids in sustaining 20% PAT CAGR from the past 10 years. We believe double-digit PAT CAGR is sustainable, as it will be least affected by the ongoing tariff woes. Hence, we initiate with a BUY. We believe the top 10 drugs would continue to strengthen its leadership position; therefore, factor in sales /EBITDA and PAT to grow at 12.7%, 15.8% and 14.4% CAGR from FY25-27E. Due to high growth visibility amidst tariff woes, higher dividend payout, an industry-high ROCE, we ascribe a PE of 41x on FY27 to arrive at a TP of Rs 35,292.

Ticker/Price	BOOT IN/Rs 29,641
Market cap	US\$ 7.3bn
Free float	24%
3M ADV	US\$ 5.2mn
52wk high/low	Rs 31,899/Rs 25,200
Promoter/FPI/DII	75%/0%/9%

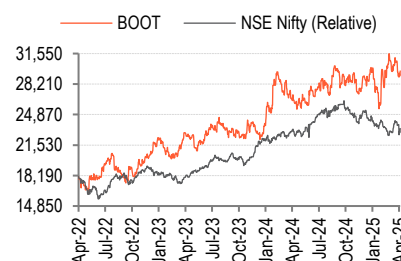
Source: NSE | Price as of 11 Apr 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	57,798	64,319	72,425
EBITDA (Rs mn)	14,531	17,197	20,025
Adj. net profit (Rs mn)	12,012	13,842	15,619
Adj. EPS (Rs)	565.3	651.4	735.0
Consensus EPS (Rs)	565.3	646.0	729.0
Adj. ROAE (%)	34.9	35.0	34.8
Adj. P/E (x)	52.4	45.5	40.3
EV/EBITDA (x)	43.4	36.7	31.5
Adj. EPS growth (%)	26.5	15.2	12.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

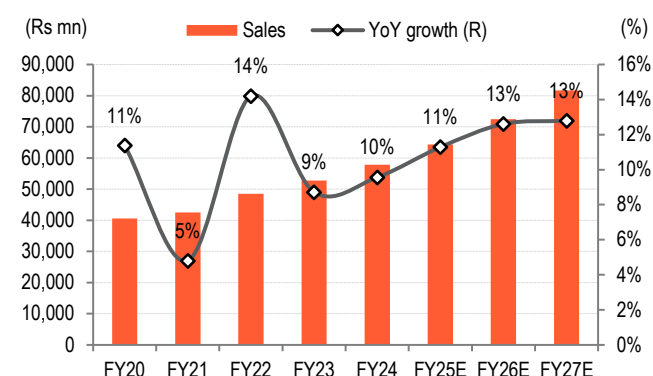


Source: NSE



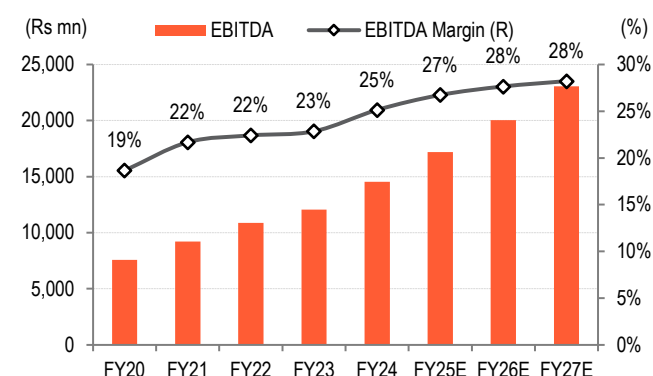
Story in Charts

Fig 1 – Sales growth driven by key brands



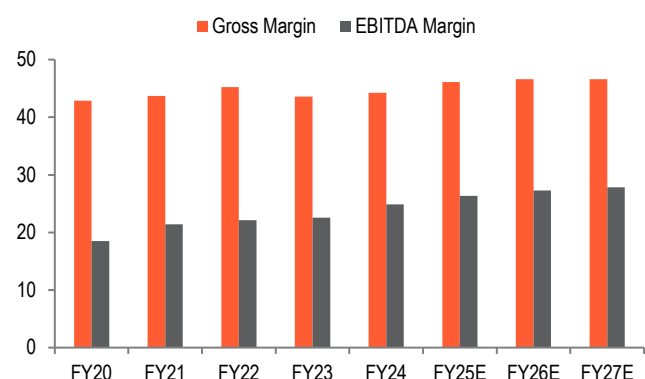
Source: Company, BOBCAPS Research

Fig 2 – EBITDA margin sustaining its highs due to healthy product mix



Source: Company, BOBCAPS Research

Fig 3 – EBITDA Margin increasing due to cost rationalisation



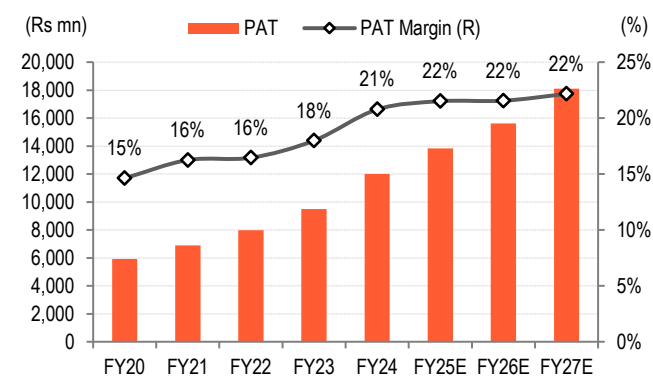
Source: Company, BOBCAPS Research

Fig 4 – Other income higher than depreciation and finance cost on higher cash balance



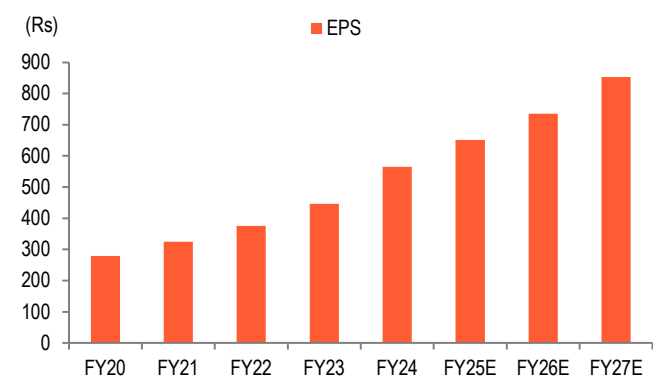
Source: Company, BOBCAPS Research

Fig 5 – PAT growth higher due to better operations



Source: Company, BOBCAPS Research

Fig 6 – EPS expected to increase due to healthy PAT



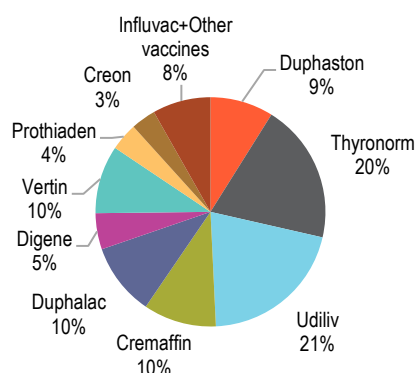
Source: Company, BOBCAPS Research

Investment Rationale

Core brands sustaining leadership

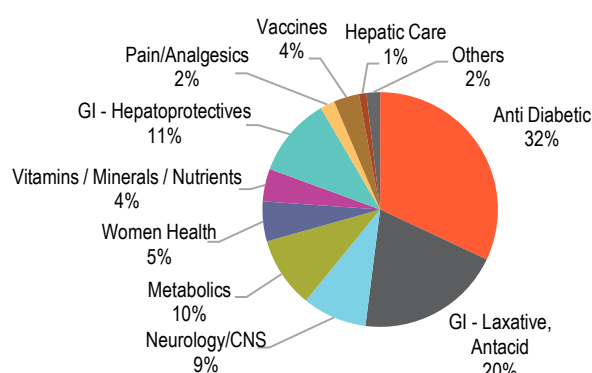
BOOT's core brands consistently maintain the top 1 or 2 ranks in its respective segments. BOOT retains its leadership position in therapies like Gastroenterology, Women's Health, Metabolics, Central Nervous System, Vaccines and Multi-Specialty. Its leading brands include Duphaston (Miscarriage and IVF), Thyronorm (Hypothyroidism), Cremaffin (Constipation), Digene (Antacid), Duphalac (Constipation), Udiliv (chronic cholestatic liver disease, Vertin (Vertigo), Prothiaden (Dosulepin), Influvac (Influenza). BOOT has 7 brands in top 100 and 11 brands in top 300 brands of the IPM. This is achieved through widespread distribution reach of ~3,000 stockists and has presence in 1,75,000+ pharmacies. 90% of the core brand sales is driven by top 20 drugs, of which its top 10 drugs contribute 76% of the core brands and contribute 49% of the total sales. Focus on lifecycle management diseases has sustained the leadership position. Abbott will focus on top 20 brands and make them bigger, which would enable it to surpass IPM growth.

Fig 7 – Brand-wise contribution



Source: Company, BOBCAPS Research

Fig 8 – Therapy-wise contribution



Source: Company, BOBCAPS Research

Fig 9 – Abbott's outperformance of IPM

Particulars (%)	FY21	FY22	FY23	FY24	9MFY25
Sales growth	5	14	8.7	10	12.30
IPM growth	5	18	9.30	9.40	8
outperforming IPM	(4.0)	(21.1)	(6.3)	1.7	53.8

Source: Company, BOBCAPS Research

Fig 10 – Segmental sales breakup

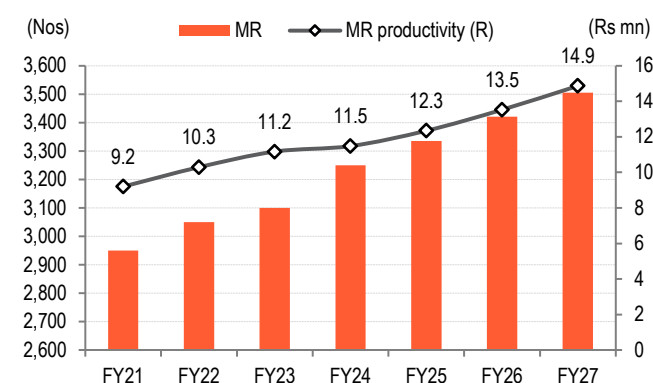
Rs mn	FY21	FY22	FY23	FY24
Insulin (Novo Nordisk)	15352	17133	18127	20483
% of sales	36	35	34	35
Core business	27139	31392	34629	37315
% of sales	64	65	66	65
Total	42491	48525	52755	57798

Source: Company, BOBCAPS Research

MR Productivity expected to be one of the highest

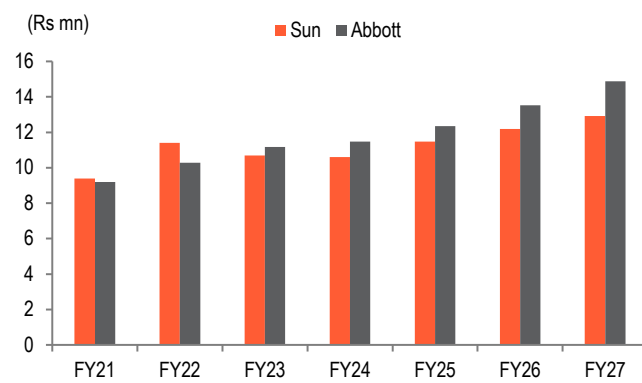
BOOT has a track record of having one of the highest MR productivities in the industry — Rs 11.5 mn p.a., as on FY24. This is driven from MR count of 3,250 in FY24. BOOT has a strategy to sustain its industry-high productivity, hence intends to add nominal 100-150 MRs every year. The company believes in increasing productivity by deepening penetration into tier 2-3 cities, leveraging digital technologies and rationalising costs rather than increasing MR counts every year. Hence, we expect MR productivity to increase to Rs 14.9 mn by FY27E from Rs 11.5mn in FY24. This would enable Abbott to grow its EBITDA by 17% CAGR from FY25-27 as against 16% CAGR from FY22-24 and subsequently, EBITDA margin to increase by 150 bps to 27.9% by FY27E as against 24.8% in FY24. Currently, industry leader SUN has the highest MRs of 14,000 and productivity of Rs 10.6 mn. However, we believe that Abbott currently has industry-highest MR productivity of Rs 11.5 mn in FY24 and would retain its industry highest productivity by inching to Rs 14mn by FY27E in the IPM.

Fig 11 – MR and MR productivity



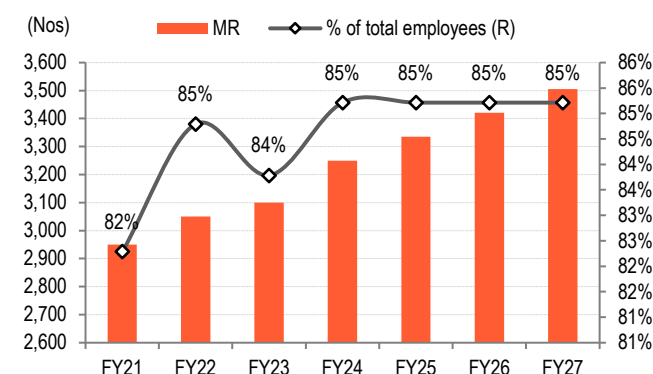
Source: Company, BOBCAPS Research

Fig 12 – Abbott's MR productivity to be higher than industry leader



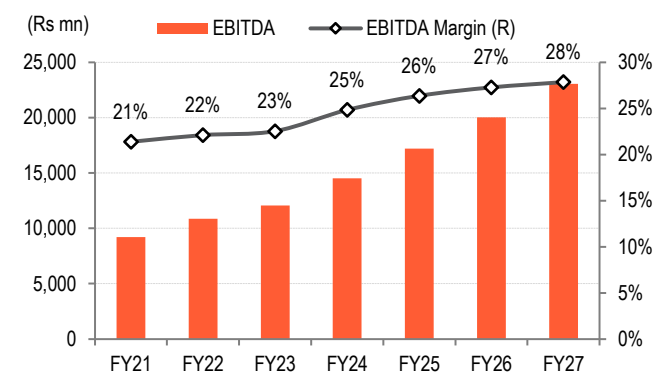
Source: Company, BOBCAPS Research

Fig 13 – MR as a % of employees expected to remain constant



Source: Company, BOBCAPS Research

Fig 14 – EBITDA margin increases as MR productivity increases



Source: Company, BOBCAPS Research

Industry-leading dividend payout

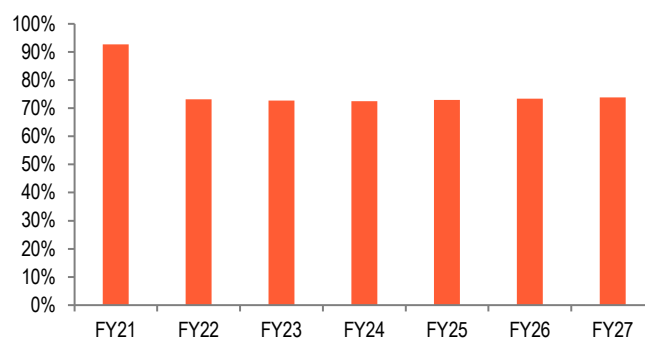
BOOT has a policy of rewarding its shareholders with hefty dividends, with the company being cash-rich. In FY21, the company paid Rs 275 per share as dividend, which has increased to Rs 410 in FY24. Cumulatively, from FY21, BOOT has paid Rs 1,285 per share as dividend. This results in a dividend payout of 72.5% in FY24 and dividend yield of 2%. As on FY24, BOOT had a cash balance of Rs 21bn through which it paid Rs 8.7bn as dividend. We believe that the company would continue its policy of paying high dividend. We believe that the company will retain its payout ratio of 73%, which implies that it would have a DPS of Rs 470, Rs 540 and Rs 620 for FY25E, FY26E and FY27E respectively. This implies that the company's dividend yield will increase to 3% by FY27E from 2% in FY24.

Fig 15 – Dividend per share expected to go up



Source: Company, BOBCAPS Research

Fig 16 – Dividend payout ratio expected to inch upto 74%



Source: Company, BOBCAPS Research

Fig 17 – Dividend yield expected to go up



Source: Company, BOBCAPS Research

Fig 18 – Cash balance expected to rise with increasing profitability



Source: Company, BOBCAPS Research

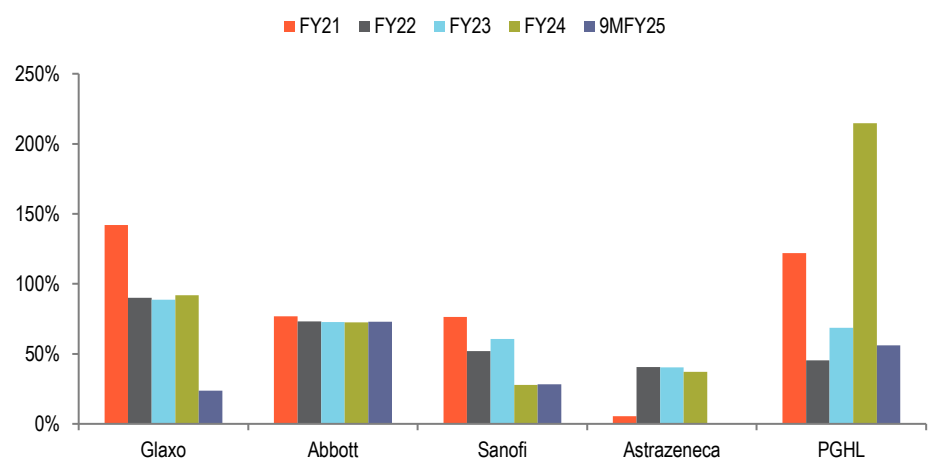
Amongst the MNC pharma companies, Cumulatively from FY21-24, BOOT has paid the highest dividend of Rs 1,735, followed by Sanofi of Rs 1,516. And in terms of payout ratio, BOOT has the highest payout ratio of 73% followed by PGHL with 56%.

Fig 19 – DPS of MNC peers

DPS	FY21	FY22	FY23	FY24	9MFY25	Cumulative DPS
Glaxo	30	90	32	32	12	196
Abbott	250	275	325	410	475	1735
Sanofi	365	490	377	167	117	1516
Astrazeneca	2	10	16	24	0	52
PGHL	130	52.5	95	260	80	617.5

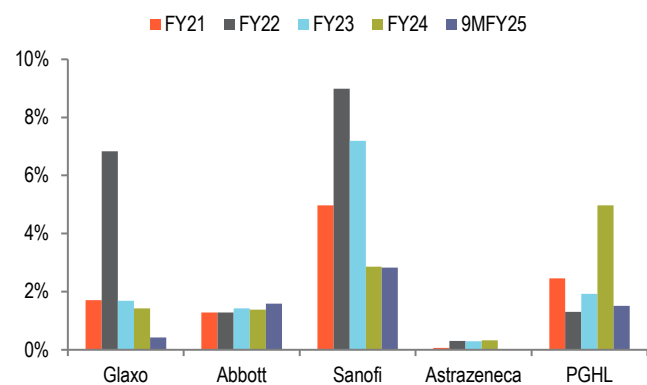
Source: Company, BOBCAPS Research

Fig 20 – Dividend payout ratio of MNC peers



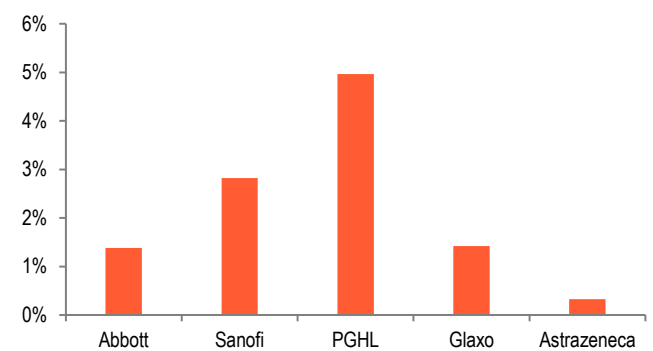
Source: Company, BOBCAPS Research

Fig 21 – Abbott has a consistent dividend yield for past 5 years



Source: Company, BOBCAPS Research

Fig 22 – Dividend yield of MNC companies for FY24



Source: Company, BOBCAPS Research

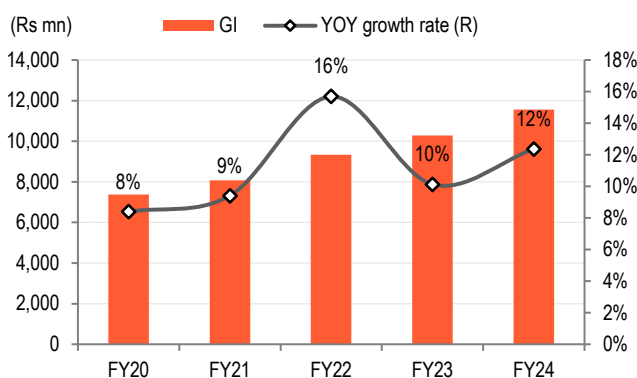
Retaining leadership in key therapies

Gastroenterology

This therapy contributes ~20% of total sales and 31% of core sales (ex- insulin). In FY24, the segment grew by ~12% YoY to Rs 11.5bn, enabling to further consolidate market share. Growth was driven by leading brands such as Udiliv (chronic cholestatic liver disease), Duphalac (constipation), Cremaffin Plus (constipation) and Creon (pancreatic insufficiency). Other brands such as Ganaton (gastrointestinal dysmotility) and Librax (irritable bowel disease) continued to outperform the market. These brands maintained their leadership position and market share through expanded geographic presence, differentiated medico marketing programs, and targeted micro-market interventions. During the year, the company launched Rowasa OD (ulcerative colitis). Digeraft (anti-reflux antacid) remained one of the best-performing new products.

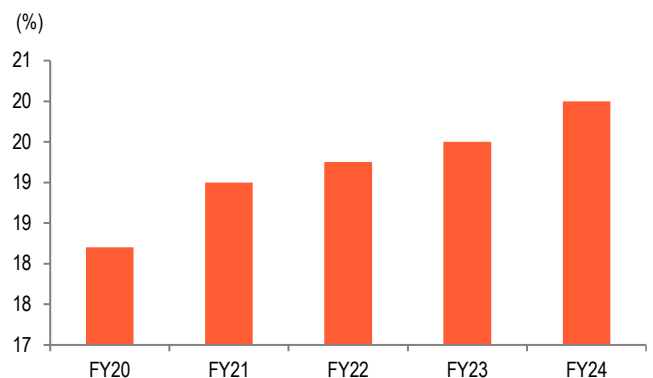
Several “beyond-the-pill” offerings have also been significantly scaled up with the introduction of newer services such as EGG (Electrogastrogram), for enhancing dysmotility diagnosis in India. The company remains committed to extending better diagnosis support to patients in core therapy areas. Going forward, the company will continue 1) to identify need gaps in core therapy areas to maintain leadership, 2) launch new products to augment portfolio offerings 3) provide comprehensive and differentiated services to consumers. This approach aims to accelerate growth for mid-sized brands and enable disruptive growth through new product launches. Focus will remain on integrating and building a strong, sustainable, and profitable hybrid promotional model for consumer-facing legacy brands like Cremaffin and Digene.

Fig 23 – GI therapy sales growth increasing due to retaining leadership and new launches



Source: Company, BOBCAPS Research

Fig 24 – GI therapy sales contribution increasing due to new launches



Source: Company, BOBCAPS Research

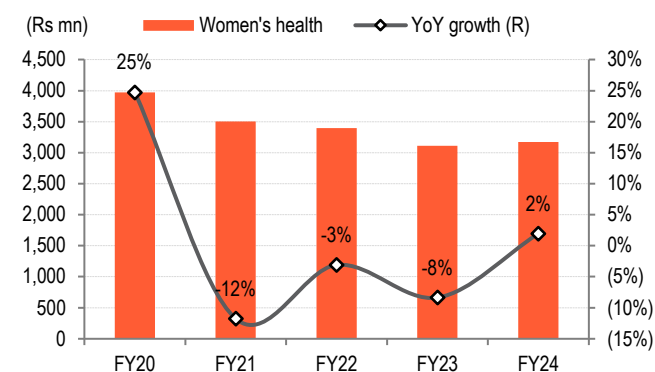
Women's Health

This segment supports women in India through every stage of their lives - from menarche, pregnancy, to menopause. Currently, menopause and anemia are a special focus area. This therapy contributes ~6% and 9% of the core sales (ex-insulin). In FY24, the Women's Health portfolio grew by 1.8%, primarily due to increased competition from generics in the Dydrogesterone market. However, they continued to strengthen ties with healthcare professionals through omnichannel campaigns and

initiatives aimed at driving advocacy, while enhancing Duphaston's positioning in managing miscarriages and infertility.

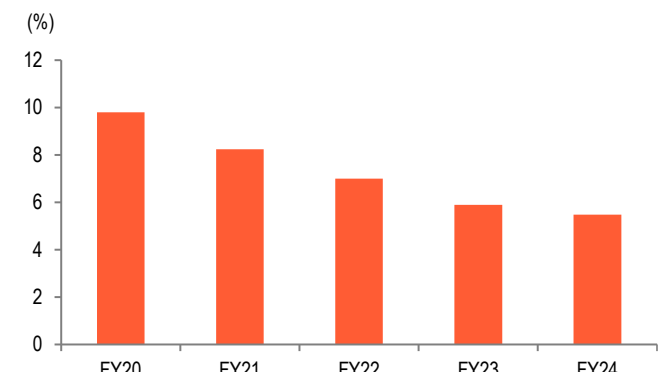
Another of its focus area is shaping the landscape for the treatment of menopause in India. Currently, the company has Duphaston and Duvadilan as the key brands in this segment; however, the segment is very competitive, as Duphaston has 41 peers in this category. Amidst intense competition, the brand is witnessing growth. Also, Duphaston can be treated for 11 indications, but doctors are widely prescribing for 3 indications. However, going forward, the company intends to build Femoston as a brand over the next few years. During the year, the company launched Solfe FCM injection (iron deficiency anemia) and Dienonorm (endometriosis) to expand the Women's Health portfolio.

Fig 25 – in Women's Health sales growing amidst severe competition in its leading brands



Source: Company, BOBCAPS Research

Fig 26 – Women's health sales contribution declining due to increased competition in key brand



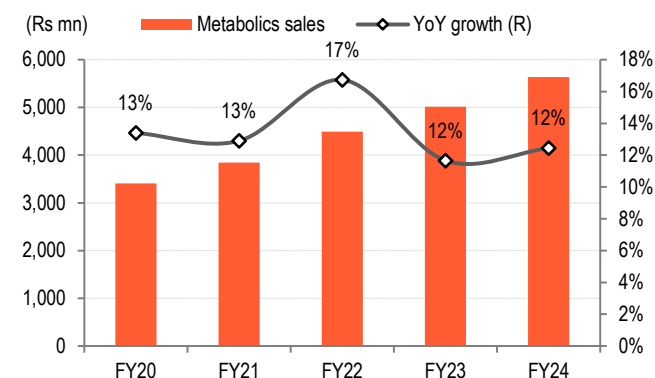
Source: Company, BOBCAPS Research

Metabolics

BOOT specialises in treating chronic metabolic conditions such as hypothyroidism and continues to focus on newer sub-therapies in the field of metabolic health. This segment contributes ~10% of total sales and 15% of core sales. This segment achieved a strong 12% growth, primarily driven by the success of company's flagship brand Thyronorm.

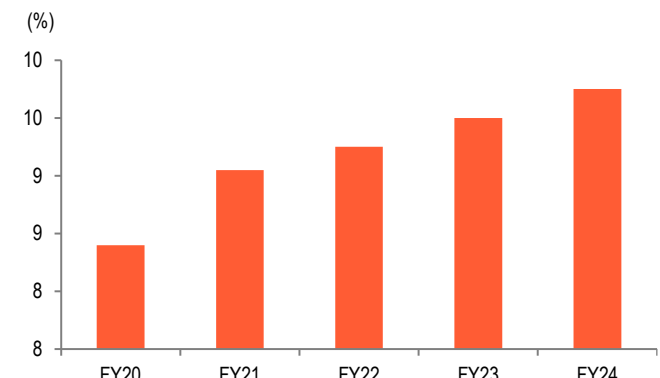
The brand grew faster than the represented market and has maintained market share. Growth is driven by digital interventions to enhance scientific engagement and therapy-shaping initiatives. Multi-channel awareness campaigns remain an important lever, aiming to provide credible information about thyroid disorders and resulting symptoms. During the year, Thyrowel Plus (supporting thyroid function) was launched.

Fig 27 – Metabolics sales growth retaining amidst sustained demand of its flagship brand



Source: Company, BOBCAPS Research

Fig 28 – Metabolics sales growth contribution increasing due to higher sales of its flagship brand

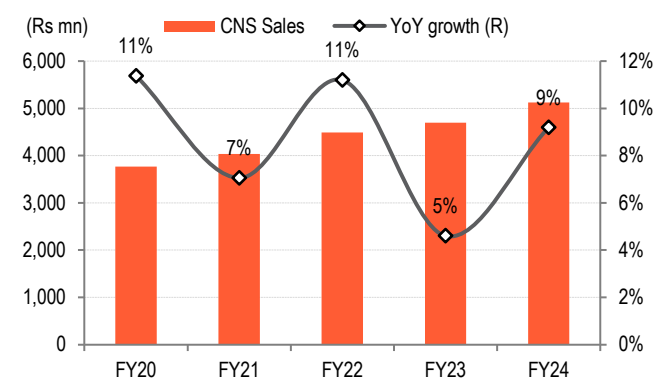


Source: Company, BOBCAPS Research

Central Nervous System (CNS)

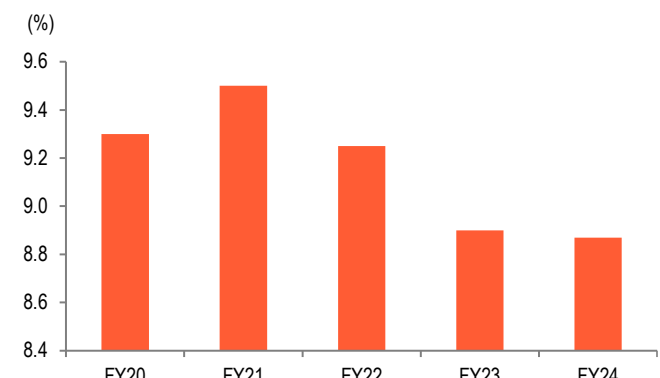
CNS therapy contributes ~9% of total sales and 14% of the core business. This therapy reported a growth of 9.2% in FY24. BOOT provides differentiated solutions for CNS diseases such as vertigo, migraine, depression, and lack of sleep with the goal of minimising their impact on the quality of life. The largest therapy within the CNS business is vertigo, with Vertin surpassing the industry growth. Consistent therapy-shaping initiatives for Vertin and successful product lifecycle management have contributed to the business growth. During the year, Zolfresh ER (insomnia) and Zolfresh ODT (insomnia) were launched.

Fig 29 – CNS sales and growth



Source: Company, BOBCAPS Research

Fig 30 – CNS sales growth contribution



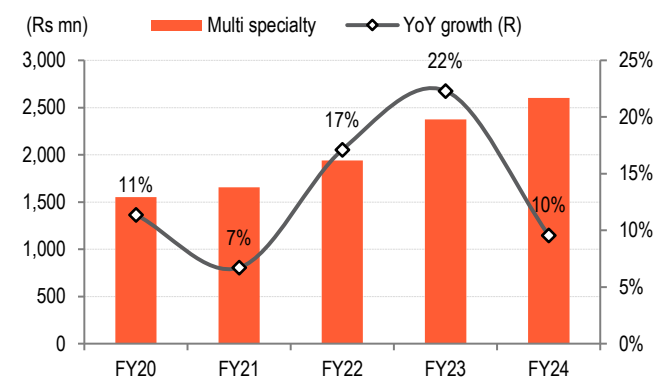
Source: Company, BOBCAPS Research

Multi-Specialty therapy

Under Multi-Specialty, the company offers products targeting insomnia, vitamin D deficiency, pre-term labour, and pain management. This segment contributes 4.5% of total sales and 7% of core sales and achieved a growth of 11.8% in FY24. Key contributors to this segment are Arachitol portfolio (vitamin D supplement), Brufen (analgesics), and Duvadilan (pre-term labour). The strategy to go “beyond the pill” with the help of differentiated public awareness programs, increased health knowledge through expert engagement, thereby ramping up sales. Scientific initiatives in collaboration with India’s leading scientific bodies were also launched during the year.

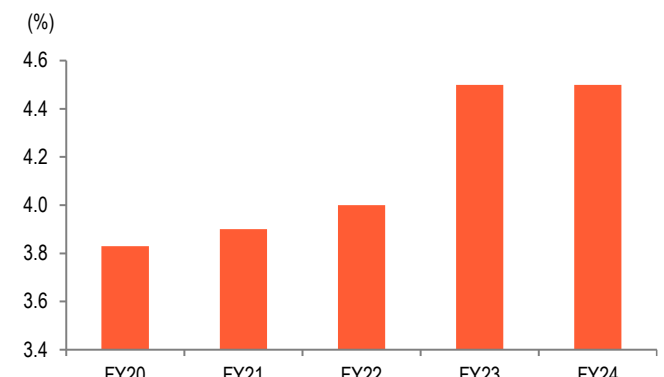
Moving forward, focus is to grow the big brands bigger. BOOT aims to strengthen its pipeline of new products to offer a more comprehensive portfolio across covered specialties. During the year, new product launches included Brufen power gel (musculoskeletal pain) and Arachitol Gummies 300 IU (calcium and vitamin D supplement).

Fig 31 – Multi-Specialty sales and growth lowered



Source: Company, BOBCAPS Research

Fig 32 – Multi-Specialty sales contribution increasing



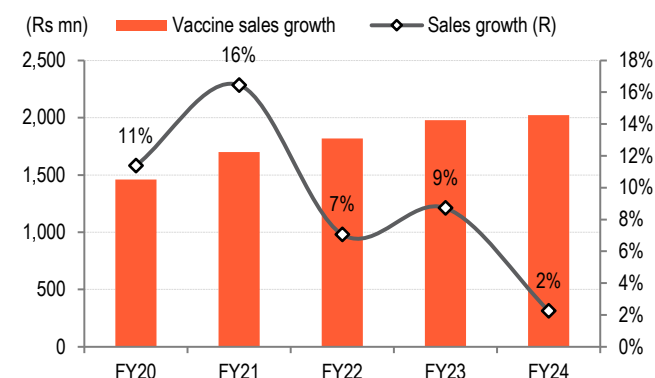
Source: Company, BOBCAPS Research

Vaccines

Key brands in the vaccines portfolio include Influvac (influenza), Enteroshield (typhoid), Havshield (hepatitis A), Rotasure (rotavirus diarrhea), and JE Shield SD (Japanese encephalitis). The vaccine business sales grew by 2.6% during the year. The company implemented robust medico-marketing and awareness plans to improve the paediatric vaccination numbers, particularly for Influenza. They also launched several educational initiatives as well as activities for mothers as part of their Influenza flagship program.

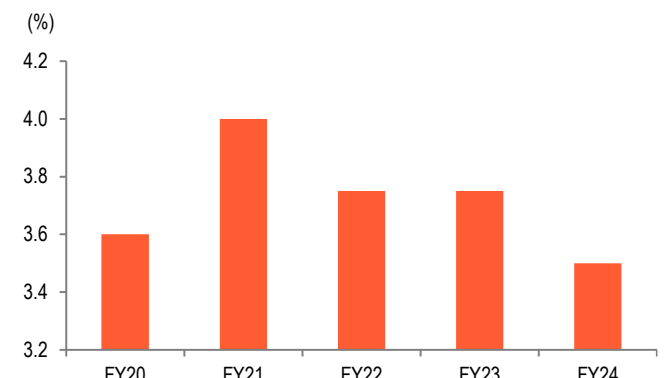
In the preventive space, Abbott's vaccine portfolio led by robust medico-marketing and awareness plans will improve the paediatric vaccination numbers, especially for Influenza vaccination. The company will continue to expand the market for both paediatric and adult populations through newer patient services and product launches, so as to strengthen portfolio. Abbott has launched awareness campaigns across print, social media, radio, and parental platforms. They have also introduced "Influvac microsite" for healthcare professionals to improve access to vaccine and compliance. Abbott's intention is to grow their vaccine market for both children and adults by introducing new services and products.

Fig 33 – Vaccine sales growth declining



Source: Company, BOBCAPS Research

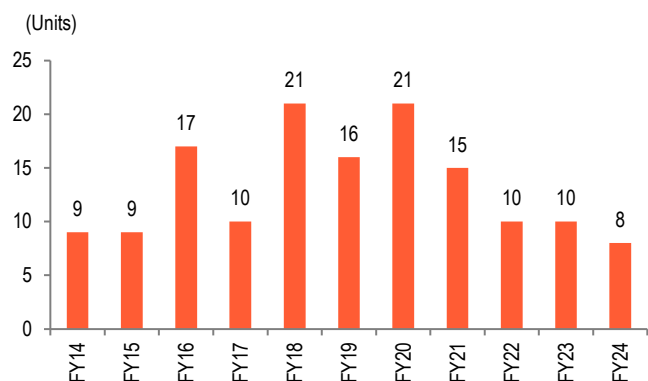
Fig 34 – Vaccine sales growth contribution lowering



Source: Company, BOBCAPS Research

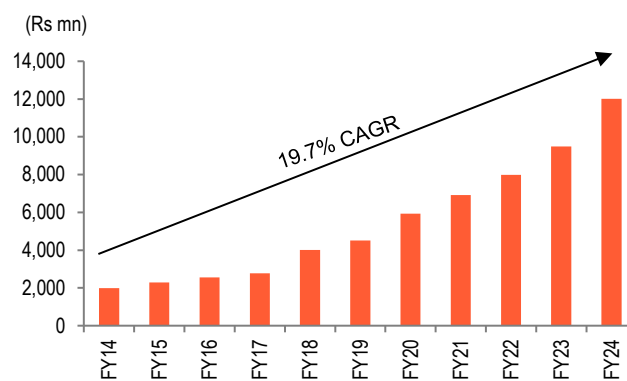
USP of Abbott India since a decade

Fig 35 – History of successful new product launches



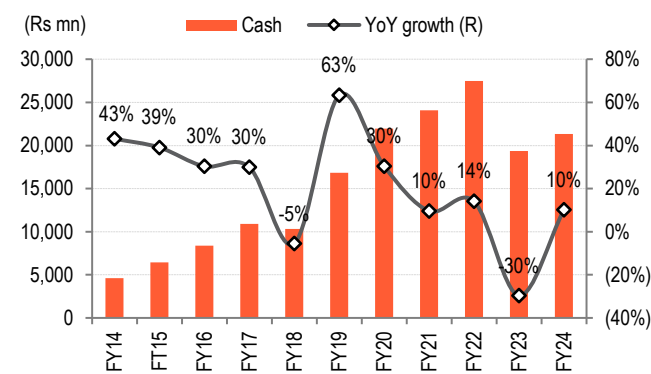
Source: Company, BOBCAPS Research

Fig 36 – 1 year's PAT CAGR maintained at 20%



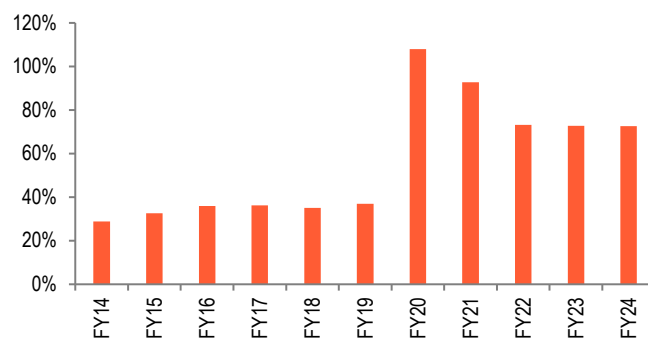
Source: Company, BOBCAPS Research

Fig 37 – Cash balance reducing due to hefty dividend payout



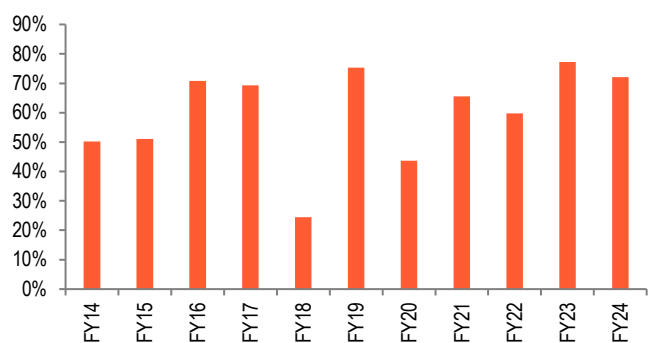
Source: Company, BOBCAPS Research

Fig 38 – Dividend payout increasing and now stabilised



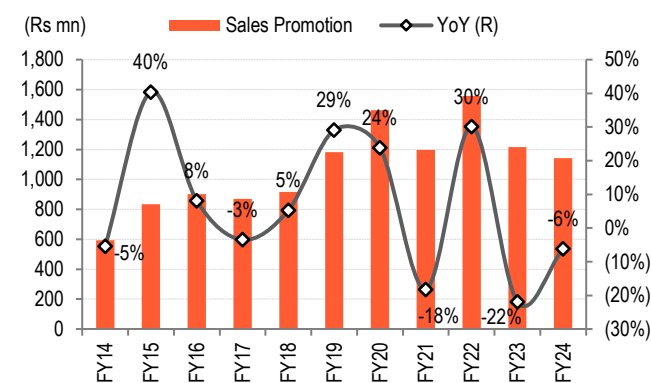
Source: Company, BOBCAPS Research

Fig 39 – % of raw material imports have increased



Source: Company, BOBCAPS Research

Fig 40 – Sales and promotional expenses lowering due to increasing RM imports



Source: Company, BOBCAPS Research

Key Managerial Personnel

Fig 41 – KMP of Abbott India

	Key Management Personnel	Designation	Experience
1	Mr. Munir Shaikh	Chairperson	He joined BOOT in 2001 and holds expertise in the areas of general management, finance, marketing and business development. He is a fellow of the Institute of Chartered Accountant in England and Wales.
2	Ms. Swati Dalal	MD	Joined as Product Manager at Abbott India Limited (AIL) in 1995, over the next 10 years, she took on various roles of increasing responsibilities within the Neurosciences division and was then promoted as Head Specialty Care business. She holds a Pharmacy degree from P.K.M. Kundnani College of Pharmacy, Mumbai and a post-graduate degree in Management Studies from the Jamnalal Bajaj Institute of Management Studies in Mumbai.
3	Harshraj Madan	Commercial Director - GI business	He has been working with Abbott in various capacities for 7+ years now, and his latest role was that of Commercial Director – Emerging Channel Business & Institution for Abbott EPD in India. Harshraj comes with 16+ years of diverse experience across Sales & Marketing, Entrepreneurship and Strategy. He holds an MBA from the Indian School of Business - Hyderabad and is an Engineering graduate of Mumbai University.
4	Pritwish Kumar Banerji	Commercial Director - Women's Health, Metabolics and International Business	Prithwish has close to 28 years of experience in commercial roles. He joined Abbott from Cipla, where he was a member of the Cipla Leadership Group. He was the designated Vice President and Vertical Head for their flagship respiratory portfolio of Nebulization and Immunotherapy. He holds an Executive Management Program in Management from IIM Lucknow.

Source: Company, BOBCAPS Research

Key Ratios

Fig 42 – Free cash flow ratio expected to increase towards its all-time highs



Source: Company, BOBCAPS Research

Fig 43 – Operating cash flow to increase towards its highs due to healthy operations



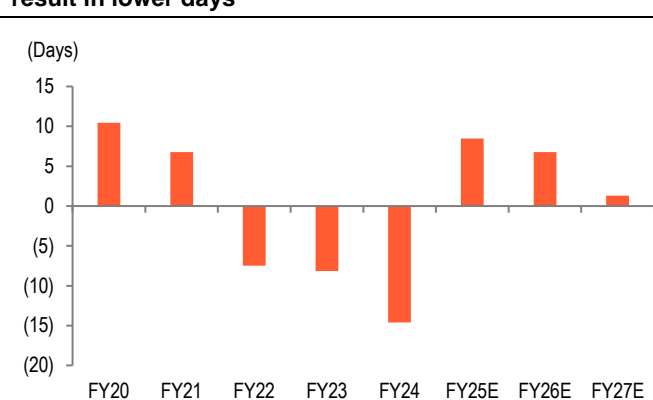
Source: Company, BOBCAPS Research

Fig 44 – OCF/EBITDA ratio expected to increase



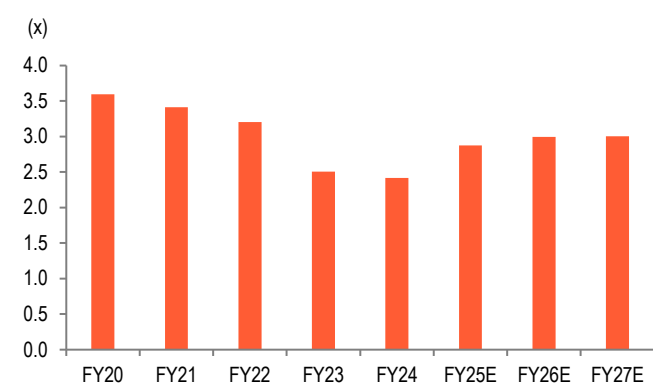
Source: Company, BOBCAPS Research

Fig 45 – Efficient management of working capital to result in lower days



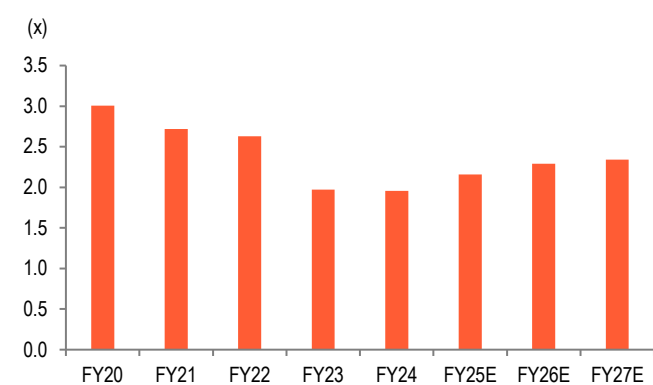
Source: Company, BOBCAPS Research

Fig 46 – Current ratio expected to rise



Source: Company, BOBCAPS Research

Fig 47 – Healthy quick ratio to sustain



Source: Company, BOBCAPS Research

Peer Comparison

Fig 48 – Peer Comparison

Companies	CMP (Rs)	MCAP (US\$ mn)	EPS				CAGR (%)	PE				FY27		
			FY24	FY25E	FY26E	FY27E		FY24	FY25E	FY26E	FY27E	ROE (%)	EV/EBITDA	EV/Sales
Abbott	29,578	731	565.3	651.4	735.0	852.5	22.8	51.6	44.8	39.7	34.2	34.9	29.2	8.0
Glaxo	2,743	540	28.9	52.5	59.4	66.9	52.2	94.9	52.2	46.2	41.0	40.3	31.1	9.8
Pfizer	4,064	216	122.0	135.0	158.0	174.0	19.4	33.3	30.1	25.7	23.4	16.8	18.1	5.9
P&G Health	5,158	100	133.2	143.1	159.6	165.6	11.5	38.7	36.0	32.3	31.1	NA	10.2	2.6
Torrent Pharma	3,120	1,228	48.9	57.7	75.7	92.8	37.7	63.8	54.1	41.2	33.6	30.3	21.2	7.4
JB Pharma	1,577	285	34.9	43.4	52.4	61.6	32.9	45.3	36.3	30.1	25.6	21.7	17.1	44.8
Mankind	2,347	1,126	47.8	48.2	55.2	70.8	21.8	49.2	48.7	42.5	33.1	16.6	19.2	5.5
Ajanta Pharma	2,568	373	64.6	68.3	77.4	86.3	15.6	39.8	37.6	33.2	29.7	20.0	17.2	5.38
Alkem	4,881	679	160.4	170.9	195.7	235.9	21.3	30.4	28.6	24.9	20.7	21.9	17.4	3.7
Alembic	849	194	31.4	28.3	34.1	45.3	20.1	27.0	30.0	24.9	18.7	18.1	11.45	2.15
Sun	1,687	4,708	39.8	50.00	54.61	61.74	24.6	42.4	33.7	30.9	27.3	15.7	21.0	6.07
Dr.Reddy's	1,109	1,076	66.9	64.9	55.3	60.3	-5.1	16.6	17.1	20.1	18.4	13	11.8	2.65
Lupin	1,969	1,045	42.3	66.3	82.5	101.1	54.6	46.5	29.7	23.9	19.5	22.8	14.31	3.38

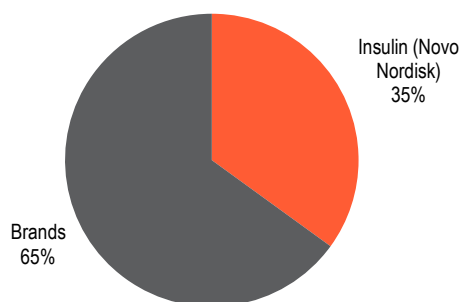
Source: Company, BOBCAPS Research

About the company

Abbott India Ltd (BOOT) – a 50.44% subsidiary of Abbott Laboratories, USA – is engaged in the manufacture and marketing of pharmaceutical products. It offers high-quality trusted medicines across multiple therapeutic categories including Women's Health, Gastroenterology, Neurology, Thyroid, Diabetes, Pain Management, General Care, Vitamins and Vaccines. BOOT has a strong portfolio of 125 brands for healthcare professionals, out of which, 8 products have been launched in FY24 including line extensions. The company has 7 brands in the Top 100 of the Indian Pharmaceutical Market (IPM), with 12 brands ranking 1st in their Respective Participated Markets (RPMs). They have a strong distribution network of 3,000+ stockists and 175,000 retailers. The company also has a field force of 3,250 medical representatives for better engagement with doctors and patients through technology-led innovative solutions.

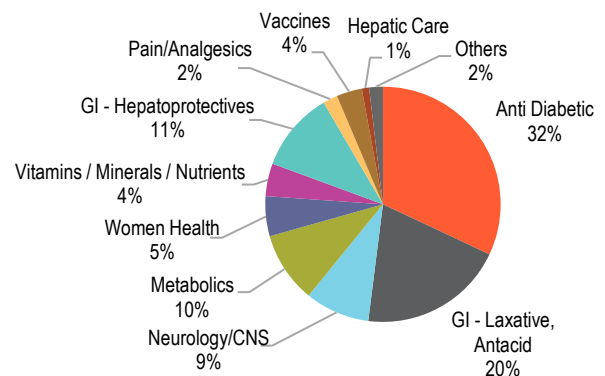
BOOT's top 10 brands are leaders (positioned at #1 or #2) in their respective segments and comprise 77% of revenue in the Brands division. The company has launched 8 new products/product extensions in the past year, in a continuous endeavour to expand its existing portfolio. Core business of therapy leading products (Brands) comprises 65% of the overall revenues. The company has signed an agreement with Novo-Nordisk to market insulin products (35% of revenue) in the domestic market.

Fig 49 – Revenue breakup



Source: Company, BOBCAPS Research

Fig 50 – Therapy-wise breakup



Source: Company, BOBCAPS Research

Fig 51 – Key brands



Source: Company, BOBCAPS Research

Valuation Methodology

BOOT has leadership in four therapies and has top 10 mega brands that contributes ~74% of core sales, which ranks either 1st or 2nd in their respective segments. These top 10 brands have aided the company to outperform IPM growth. Overall, 90% of core sales is driven from top 20 brands. Focus is to make big brands bigger, which has resulted into 7 brands falling into top 100 brands and 11 brands falling into top 300 brands of the IPM. BOOT has a structural growth story where it intends to achieve 1bn dollar sales through higher productivity and digital promotional activity of going beyond the pill.

Healthy product mix gets offset by higher import of raw material from its fellow subsidiaries, hence, BOOT industry has a lower gross margin of 50% as on 9MFY25. However, it is offset by promotional cost rationalisation, hence, EBITDA margin is around industry levels of ~26% as on 9MFY25. The company also has a huge cash balance of Rs 21bn, which can be utilised towards paying hefty dividends. The company has a track of maintaining above 70% payout; and we expect this trend to continue as a part of its capital allocation strategy. The company also has a track record of launching 8-10 new product every year, which aids sustaining 20% PAT CAGR from the past 10 years. We believe that 20% PAT CAGR is sustainable, as it will be least affected from the ongoing tariff woes. Hence, we initiate with a BUY on the stock. The top 10 drugs would continue contributing to its leadership position; therefore, we factor in sales /EBITDA and PAT to grow at a CAGR of 12.7%, 15.8% and 14.4% from FY25-27E. Given the high growth visibility amidst tariff woes, higher dividend payout and strong cash balance, we ascribe a PE of 41x on FY27 to arrive at TP of Rs 35,292.

Fig 52 – Key Assumption

	FY24	FY25	FY26	FY27
Sales	57,798	64,319	72,425	81,687
EBITDA	14,531	17,197	20,025	23,052
PAT	12,012	13,842	15,619	18,115
EBITDA Margin (%)	25	27	28	28
PAT Margin (%)	21	22	22	22
EPS (Rs)	565	651	735	852

Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- Currency depreciation to increase cost of Raw Materials
- Inclusion of more products in the NLEM list
- Increase in royalty from the parent company

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	52,755	57,798	64,319	72,425	81,687
EBITDA	12,056	14,531	17,197	20,025	23,052
Depreciation	700	712	641	754	883
EBIT	12,898	16,302	18,714	21,110	24,472
Net interest inc./(exp.)	160	125	134	145	157
Other inc./(exp.)	1,542	2,483	2,158	1,838	2,303
Exceptional items	0	0	0	0	0
EBT	12,738	16,177	18,579	20,965	24,315
Income taxes	3,244	4,165	4,738	5,346	6,200
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	9,494	12,012	13,842	15,619	18,115
Adjustments	0	0	0	0	0
Adjusted net profit	9,494	12,012	13,842	15,619	18,115

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	8,920	10,027	9,452	10,833	13,378
Other current liabilities	1,316	1,453	996	1,128	1,280
Provisions	2,197	2,519	2,203	2,121	2,057
Debt funds	457	465	465	465	465
Other liabilities	0	0	0	0	0
Equity capital	213	213	213	213	213
Reserves & surplus	31,673	36,776	41,905	47,430	54,070
Shareholders' fund	31,885	36,989	42,118	47,643	54,283
Total liab. and equities	45,555	51,935	55,715	62,671	71,945
Cash and cash eq.	19,371	21,345	21,582	26,262	32,902
Accounts receivables	3,170	3,191	3,348	3,572	3,805
Inventories	6,489	6,196	8,802	9,774	11,004
Other current assets	518	781	706	771	850
Investments	0	0	0	0	0
Net fixed assets	2,370	2,314	2,984	3,376	3,829
CWIP	37	37	37	37	37
Intangible assets	0	0	0	0	0
Deferred tax assets, net	169	159	159	159	159
Other assets	508	402	91	100	110
Total assets	45,556	51,935	55,715	62,671	71,945

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	(1,266)	9,857	10,084	16,074	19,619
Capital expenditures	(340)	(483)	(550)	(650)	(750)
Change in investments	0	0	0	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(505)	(550)	(1,000)	(1,155)	(1,347)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	27	8	0	0	0
Interest expenses	(160)	(125)	(134)	(145)	(157)
Dividends paid	(5,844)	(6,906)	(8,713)	(10,094)	(11,475)
Other financing cash flows	37	(2)	0	0	0
Cash flow from financing	(6,352)	(7,332)	(8,847)	(10,239)	(11,632)
Chg in cash & cash eq.	(8,122)	1,975	237	4,680	6,640
Closing cash & cash eq.	19,370	21,346	21,582	26,262	32,902

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	446.8	565.3	651.4	735.0	852.5
Adjusted EPS	446.8	565.3	651.4	735.0	852.5
Dividend per share	275.0	325.0	410.0	475.0	540.0
Book value per share	1,500.5	1,740.7	1,982.0	2,242.0	2,554.5

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	12.0	10.9	9.8	8.7	7.7
EV/EBITDA	52.4	43.4	36.7	31.5	27.4
Adjusted P/E	66.3	52.4	45.5	40.3	34.8
P/BV	19.8	17.0	15.0	13.2	11.6

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	74.5	74.3	74.5	74.5	74.5
Interest burden (PBT/EBIT)	98.8	99.2	99.3	99.3	99.4
EBIT margin (EBIT/Revenue)	24.4	28.2	29.1	29.1	30.0
Asset turnover (Rev./Avg TA)	120.2	118.6	119.5	122.4	121.4
Leverage (Avg TA/Avg Equity)	1.5	1.4	1.4	1.3	1.3
Adjusted ROAE	31.6	34.9	35.0	34.8	35.5

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	8.7	9.6	11.3	12.6	12.8
EBITDA	10.8	20.5	18.4	16.4	15.1
Adjusted EPS	18.9	26.5	15.2	12.8	16.0

Profitability & Return ratios (%)

EBITDA margin	22.9	25.1	26.7	27.6	28.2
EBIT margin	24.4	28.2	29.1	29.1	30.0
Adjusted profit margin	18.0	20.8	21.5	21.6	22.2
Adjusted ROAE	31.6	34.9	35.0	34.8	35.5
ROCE	39.9	44.7	45.2	45.3	46.5

Working capital days (days)

Receivables	22	20	19	18	17
Inventory	45	39	50	49	49
Payables	79	83	72	74	82

Ratios (x)

Gross asset turnover	19.7	18.3	17.3	16.6	16.0
Current ratio	2.5	2.4	2.9	3.0	3.0
Net interest coverage ratio	80.7	130.9	139.2	145.4	156.0
Adjusted debt/equity	(0.6)	(0.6)	(0.5)	(0.5)	(0.6)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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BUY – Expected return >+15%

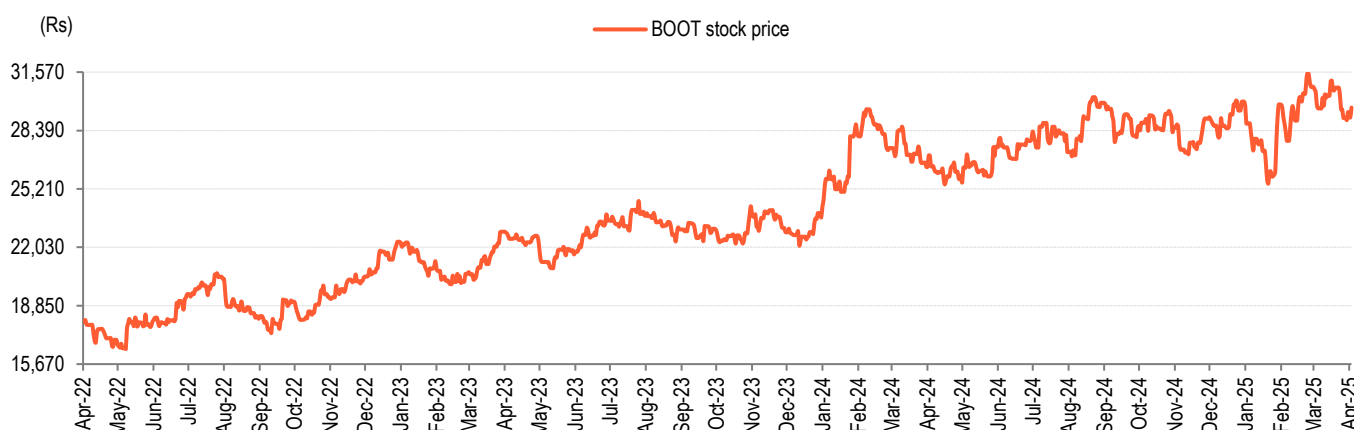
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): ABBOTT INDIA (BOOT IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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