

BUY

TP: Rs 35,292 | ▲ 15%

ABBOTT INDIA

| Pharmaceuticals

| 17 May 2025

Margins at an all-time high

- Sales/EBITDA /PAT were 1.2%/4.1% and 0.5% below our estimates. EBITDA margin 80 bps lower vs estimates
- Core gross margin stood at 66.4% in 4QFY25 vs 62.3% in 4QFY24. Core EBITDA margin stood at 38.4% in 4QFY25 vs 32.5% in 4QFY24
- Abbott has the industry-highest ROCE of 45% in FY25; we continue to ascribe a PE of 43x on FY27E EPS of Rs836. Maintain BUY

Foram Parekh

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In-line Q4- Abbott reported in-line set of numbers where sales grew by 11.5% YoY to Rs 16bn, driven by retention of leadership position in its key brands. Healthy product mix resulted in 270 bps increase in gross margin to 46.7%. Healthy operations and cost rationalisation approach led to 30% YoY growth in EBITDA and 380 bps YoY rise in EBITDA margin at 26.7%. Healthy EBITDA growth, marginal decline in depreciation and tax rate, resulted in PAT growing at 27.9% YoY to Rs 3.6bn for 4QFY25.

Productivity improved further on a higher base- BOOT reported 9.6% YoY sales growth in FY25. We believe the company to clock 9% growth in both Insulin and core businesses. We expect the core business to make up 66% of sales and Novo to contribute 34% to sales. Core business productivity will likely increase to Rs 12.5mn in FY25 vs Rs 11.7mn in FY24. Productivity can increase to Rs 14.5mn by FY27, on the back of better sales.

Healthy cash to be utilised for hefty dividend – BOOT has a healthy cash balance of Rs 16.2bn, as on FY25. Short-term investment has also increased to Rs 17.8bn. The company is paying a hefty dividend to utilise this cash. During FY25, Abbott paid Rs 475 per share as dividend, making a dividend payout of 71%. We believe that due to its cash-rich nature, the company will continue paying a hefty dividend and maintain a ~75% payout till FY27E.

Valuation – Currently, we factor in Rs 2.4bn sales from Semaglutide for Novo Nordisk in FY27E, despite multiple competitors in the market. We believe BOOT will be able to market the weight-loss drug efficiently via distribution reach, which would enable enhancing cashflows. Currently, the company has a huge balance of Rs 16bn in cash and Rs 17bn in short-term investments, which can be utilised for M&A activities or payout of hefty dividend. We expect the company to sustain the FY25 dividend payout of 71% as its capital allocation strategy. At 45%, ROCE is also highest in the industry; hence, we maintain BUY. We continue to ascribe 43x on FY27E EPS of Rs 836 to arrive at TP of Rs 35,292.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	BOOT IN/Rs 30,560
Market cap	US\$ 8.3bn
Free float	50%
3M ADV	US\$ 4.3mn
52wk high/low	Rs 31,899/Rs 25,325
Promoter/FPI/DII	0%/0%/0%

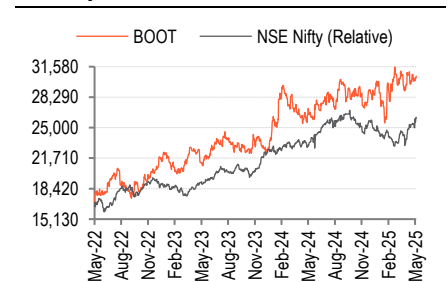
Source: NSE | Price as of 16 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	63,211	60,779	66,804
EBITDA (Rs mn)	16,946	19,463	22,961
Adj. net profit (Rs mn)	14,144	15,245	17,765
Adj. EPS (Rs)	665.6	717.4	836.0
Consensus EPS (Rs)	665.6	717.4	836.0
Adj. ROAE (%)	35.7	33.9	35.1
Adj. P/E (x)	45.9	42.6	36.6
EV/EBITDA (x)	41.7	36.3	30.7
Adj. EPS growth (%)	17.8	7.8	16.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Financial Highlights

Fig 1 – Financial Highlights

(Rs mn)	4QFY25	4QFY24	YoY (%)	3QFY24	QoQ (%)	FY25	FY24	YoY (%)	FY26E	YoY (%)	FY27	YoY (%)
Revenue	16,046	14,386	11.5	16,143	(0.6)	64,092	58,489	9.6	61,745	(3.7)	67,865	9.9
Total material cost	8,560	8,059	6.2	8,927	(4.1)	26,572	29,751	(10.7)	32,206	21.2	34,968	8.6
Gross margins (%)	46.7	44.0		44.7		58.5	49.1		47.8		48.5	
Personnel Cost	1,444	1,452	(0.6)	1,347	7.2	5,795	5,636	2.8	5,766	(0.5)	5,875	1.9
% of sales	9.0	10.1		8.3		9.0	9.6		9.3		8.7	
Other expense	1,757	1,580	11.2	1,508	16.5	5,949	6,045	(1.6)	5,987	0.6	6,302	5.3
% of sales	10.9	11.0		9.3		9.3	10.3		9.7		9.3	
EBITDA	4,285	3,295	30.0	4,361	(1.7)	25,776	17,058	51.1	17,787	(31.0)	20,719	16.5
EBITDA margins %	26.7	22.9	3.8	27.0		40.2	29.2		28.8		30.5	
Other income	760.2	811.5	(6.3)	717.5	6.0	2,756	2,483	11.0	1,838	(33.3)	1,739	(5.4)
Interest	39	28	39.5	23	73.5	114	125	(8.2)	123	8.0	133	8.0
Depreciation	179	182	(1.4)	180	(0.3)	718	712	0.9	715	(0.4)	721	0.8
Profit before tax	4,827	3,897	23.9	4,876	(1.0)	18,870	16,177	16.6	20,463	8.4	23,846	16.5
Tax	1,157	1,026	12.7	1,268	(8.8)	4,725	4,165	13.4	5,218	10.4	6,081	16.5
Tax rate	24.0	26.3		26.0		25	26		26		26	
Adj Profit after tax	3,670	2,871	27.9	3,608	1.7	14,144	12,012	17.8	15,245	7.8	17,765	16.5
EPS (Rs)	172.7	135.1	27.9	169.8	1.7	665.6	565.3	17.8	717.4	7.8	836.0	16.5

Source: Company, BOBCAPS Research

Fig 2 – MR productivity of peer set

Rs mn	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Sun Pharma	9.4	11.4	10.7	10.6	11.5	12.2	12.9
Abbott	9.2	10.3	11.2	11.7	12.5	13.5	14.5
Lupin	7.3	8.2	8.1	8.9	10.3	11.4	12.5
Cipla	8.4	10.1	9.7	10.1	10.6	11.0	11.3
Dr.Reddy's	4.62	5.53	6.14	5.55	5.81	6.37	6.79

Source: Company, BOBCAPS Research

Fig 3 – Top 10 drugs market share data

Brands	Therapy	Market share
Mixtard	Anti Diabetic	32.4
Thyronorm	Hormones	55.6
Udiliv	Hepatoprotectives	52.0
Ryzodeg	Anti Diabetic	25.2
Rybelsus	Anti Diabetic	94.9
Duphaston	Gynaec	29.7
Novomix	Anti Diabetic	14.8
Duphalac	Gastro	55.1
Cremaffin Plus Gastro	Intestinal	49.9
Vertin	CNS	64.4

Source: AWACSy, BOBCAPS Research

Valuation Methodology

Abbott reported in-line set of numbers where sales/EBITDA/PAT grew 11.5%/30%/27.9% on a yearly basis. Healthy product mix resulted in 46.7% gross margin and 26.7% EBITDA margin for 4QFY25. We believe that growth would be driven by sustaining leadership position in key brands like Udiliv, Cremaffin, Vertin, Thyronorm, Digene, etc.

Going forward, Abbott's key in license brand Mixtard is set to go off the shelf on capacity constraints of cartridges, thereby selling on vial-based insulins. Although this is likely to impact the top line, we expect margin to increase to an all-time high of above 30% on a consolidated basis.

Currently, we factor in Rs 2.4bn sales from Semaglutide for Novo Nordisk in FY27E, despite many competitors in the market. We believe Abbott will be able to market the weight-loss drug efficiently via distribution reach, which would enable the ramp-up of cashflows. Currently, Abbott has a huge balance of Rs 16bn in cash and Rs 17bn in short-term investments, which can be utilised for M&A activities or payout of hefty dividend. We expect the company to sustain the FY25 dividend payout of 71% as its capital allocation strategy. At 45%, ROCE is also the highest in the industry; hence, we maintain BUY. We continue to ascribe 43x on FY27E EPS of Rs 836 to arrive at TP of Rs 35,292.

Fig 4 – Change in Estimate

	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	61,745	67,865	63331	63398	(2.5)	7
EBITDA	17,787	20,719	19571	22138	(9.1)	(6)
EBITDA Margin (%)	28.8	30.5	30.9	34.9	(2.1)	(4.4)
PAT	15,245	17,765	15236	17433	0.1	1.9
EPS (Rs)	717.4	836.0	717	829	0.1	1.9

Source: Company, BOBCAPS Research

Key Risks

Key downside risks to our estimates:

- Currency depreciation to increase the cost of raw materials
- Inclusion of more products on the NLEM list
- Increase in royalty from the parent company

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Total revenue	52,755	57,798	63,211	60,779	66,804
EBITDA	12,056	14,531	16,946	19,463	22,961
Depreciation	700	712	718	715	721
EBIT	12,898	16,302	18,984	20,586	23,979
Net interest inc./(exp.)	160	125	114	123	133
Other inc./(exp.)	1,542	2,483	2,756	1,838	1,739
Exceptional items	0	0	0	0	0
EBT	12,738	16,177	18,870	20,463	23,846
Income taxes	3,244	4,165	4,725	5,218	6,081
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	9,494	12,012	14,144	15,245	17,765
Adjustments	0	0	0	0	0
Adjusted net profit	9,494	12,012	14,144	15,245	17,765

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	8,920	10,027	10,579	8,822	11,008
Other current liabilities	1,316	1,453	1,228	1,128	1,280
Provisions	2,197	2,519	2,872	2,121	2,057
Debt funds	457	465	389	389	389
Other liabilities	0	0	0	0	0
Equity capital	213	213	213	213	213
Reserves & surplus	31,673	36,776	42,119	47,270	53,560
Shareholders' fund	31,885	36,989	42,332	47,482	53,773
Total liab. and equities	45,555	51,935	59,173	61,716	70,281
Cash and cash eq.	19,371	21,345	16,279	36,765	43,472
Accounts receivables	3,170	3,191	3,802	2,997	3,111
Inventories	6,489	6,196	8,820	8,191	8,849
Other current assets	518	781	696	762	756
Investments	0	0	0	0	0
Net fixed assets	2,370	2,314	3,504	3,376	3,829
CWIP	37	37	37	37	37
Intangible assets	0	0	0	0	0
Deferred tax assets, net	169	159	150	150	150
Other assets	508	402	285	100	110
Total assets	45,556	51,935	59,173	61,716	70,281

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash flow from operations	(1,266)	9,857	4,742	31,105	19,499
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)	(1,791)	(402)	(1,184)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	27	8	(76)	0	0
Interest expenses	(160)	(125)	(114)	(123)	(133)
Dividends paid	(5,844)	(6,906)	(8,713)	(10,094)	(11,475)
Other financing cash flows	37	(2)	(89)	0	0
Cash flow from financing	(6,352)	(7,332)	(7,782)	(10,217)	(11,608)
Chg in cash & cash eq.	(8,122)	1,975	(4,831)	20,486	6,707
Closing cash & cash eq.	19,370	21,346	16,514	36,765	43,472

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	446.8	565.3	665.6	717.4	836.0
Adjusted EPS	446.8	565.3	665.6	717.4	836.0
Dividend per share	275.0	325.0	410.0	475.0	540.0
Book value per share	1,500.5	1,740.7	1,992.1	2,234.5	2,530.5

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	13.4	12.2	11.2	11.6	10.6
EV/EBITDA	58.5	48.6	41.7	36.3	30.7
Adjusted P/E	68.4	54.1	45.9	42.6	36.6
P/BV	20.4	17.6	15.3	13.7	12.1

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	74.5	74.3	75.0	74.5	74.5
Interest burden (PBT/EBIT)	98.8	99.2	99.4	99.4	99.4
EBIT margin (EBIT/Revenue)	24.4	28.2	30.0	33.9	35.9
Asset turnover (Rev./Avg TA)	120.2	118.6	113.8	100.6	101.2
Leverage (Avg TA/Avg Equity)	1.5	1.4	1.4	1.3	1.3
Adjusted ROAE	31.6	34.9	35.7	33.9	35.1

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
YoY growth (%)					
Revenue	8.7	9.6	9.4	(3.8)	9.9
EBITDA	10.8	20.5	16.6	14.9	18.0
Adjusted EPS	18.9	26.5	17.8	7.8	16.5

Profitability & Return ratios (%)

EBITDA margin	22.9	25.1	26.8	32.0	34.4
EBIT margin	24.4	28.2	30.0	33.9	35.9
Adjusted profit margin	18.0	20.8	22.4	25.1	26.6
Adjusted ROAE	31.6	34.9	35.7	33.9	35.1
ROCE	39.9	44.7	45.0	43.0	44.9

Working capital days (days)

Receivables	22	20	22	18	17
Inventory	45	39	51	49	48
Payables	79	83	82	76	89

Ratios (x)

Gross asset turnover	19.7	18.3	17.0	13.9	13.1
Current ratio	2.5	2.4	3.4	4.2	4.1
Net interest coverage ratio	80.7	130.9	166.1	166.8	179.9
Adjusted debt/equity	(0.6)	(0.6)	(0.4)	(0.8)	(0.8)

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

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

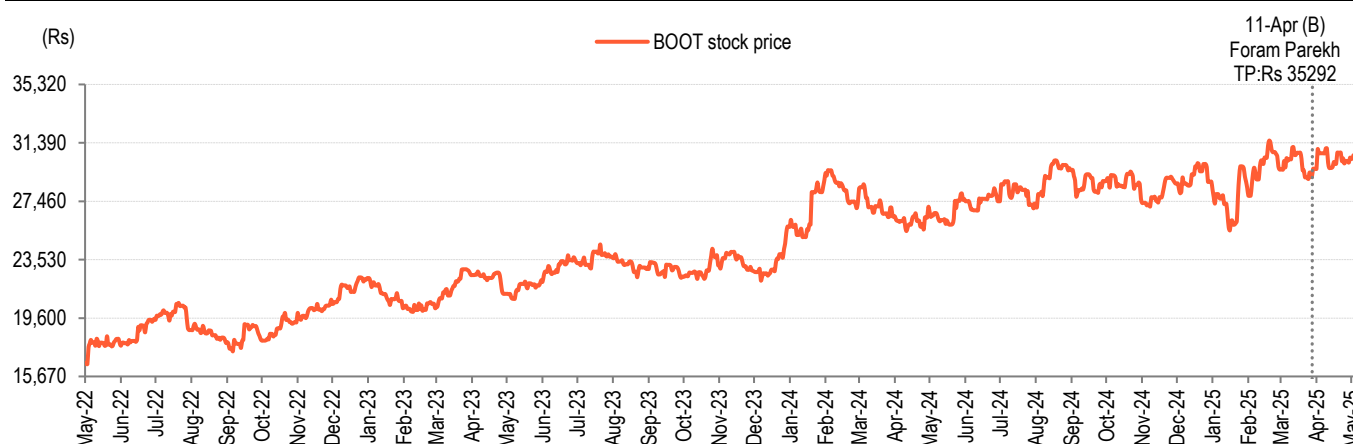
HOLD – Expected return from -6% to +15%

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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