

Outpacing IPM & Sustaining Higher EBITDA Margins

Est. Vs. Actual for Q3FY25: Revenue – **INLINE**; EBITDA Margin – **INLINE**; PAT– **INLINE**

Changes in Estimates post Q3FY25

FY25E/FY26E: Revenue: 0%/0%; EBITDA Abs.: 0%/0%; PAT: 0%/0%;

Recommendation Rationale

- ALL reported revenue growth of 12.3% YoY in Q3FY25, slightly ahead of expectations of 8% YoY.
- Abbott's growth of 12.3% outpaced the IPM's growth of 8.0%. An increase in secondary sales and a higher share of Duphalac, Udiliv, and Rybelsus, which reported QoQ growth of 17.1%, 19.4%, and 51% respectively, contributed to the improved market share.
- The company reported EBITDA margins of 27%, flat on QoQ/YoY, primarily due to higher COGS.

Sector Outlook: **Positive**

Company Outlook & Guidance: Abbott India is growing 1.2x to 1.5x faster than IPM, driven by high brand recognition and an excellent product portfolio.

Current Valuation: PE 42x for 1HFY27E Earnings (Earlier Valuation: PE 42x 1HFY27)

Current TP: Rs 31,000/share (Earlier TP: Rs 31,420/share)

Recommendation: BUY

Financial Performance

ALL reported revenue growth of 12.3% YoY in Q3FY25, slightly ahead of expectations of 8% YoY. Abbott's growth of 12.3% outpaced the IPM's growth of 8.0%. The company achieved higher sales growth due to a change in product mix as well as a higher share of Duphalac, Udiliv, and Rybelsus, which reported QoQ growth of 17.1%, 19.4%, and 51% respectively, contributing to improved market share capture. However, this was partially offset by Mixtard and Novomix, which recorded de-growth of 4.5% and 7.2% but still led to double-digit topline growth.

Growth in other key therapies, such as Cardiac (+15.8% QoQ) and Gastro (+13.5% QoQ), was above IPM growth. The company's 35% Anti-diabetic segment grew by 5%, while the rest of the portfolio grew by around 15%, outpacing IPM.

The company's gross margins deteriorated by 125bps QoQ, attributed to changes in stock adjustments. EBITDA margins stood at 27%, flat YoY/QoQ, driven by higher COGS but a reduction in employee expenses. The company also reported PAT of Rs 361 Cr, marking a 16% YoY growth, driven by high operating profitability.

Key Financials (Consolidated)

(Rs Cr)	Q3FY25	QoQ (%)	YoY (%)	Axis Est.	Variance %
Net Sales	1,614	-1.1%	12.3%	1,559	3.5%
EBITDA	436	-0.7%	22.8%	419	4.1%
EBITDA Margin	27.0%	13	3	26.9%	-
Net Profit	361	0.6%	15.9%	345	4.6%
EPS (Rs)	169.8	0.6%	15.9%	162.4	4.6%

Source: Company, Axis Securities Research

(CMP as of 05th February 2025)

CMP (Rs)	27,800
Upside /Downside (%)	12%
High/Low (Rs)	30,668/25,200
Market cap (Cr)	59,800
Avg. daily vol. (6m) Shrs	10,000
No. of shares (Cr)	2.12

Shareholding (%)

	Jun-24	Sep-24	Dec-24
Promoter	75.0	75.0	75.0
FIIs	0.2	0.2	0.2
MFs / UTI	7.6	7.7	7.8
Banks	0.0	0.0	0.1
Others	17.2	17.2	17.0

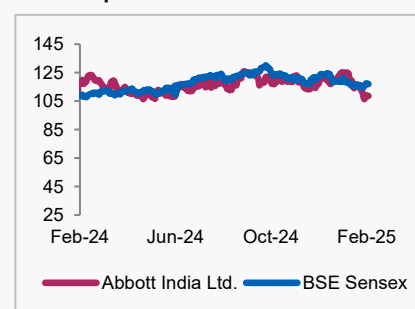
Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	5,849	6,646	7,403
EBITDA	1,453	1,701	1,910
Net Profit	1,201	1,349	1,499
EPS (Rs)	565.3	635.0	705.3
PER (x)	49.2	43.8	39.4
P/BV (x)	39.2	33.2	29.2
EV/EBITDA (x)	16.0	13.6	11.4
ROE (%)	32.5	31.0	29.0

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	0.0%	0.0%
EBITDA	0.0%	0.0%
PAT	0.0%	0.0%

Relative performance



Source: Ace Equity

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Outlook

Abbott India's 'Beyond the Pill' strategy, which encompasses consumer education, diagnosis, treatment, and compliance, is expected to drive continued growth. The company is growing 1.2 to 1.5 times faster than the IPM, driven by its strong brand recognition and excellent product portfolio.

Valuation & Recommendation

Based on Abbott India's ability to outpace the IPM and leverage its better product mix with new launches, we maintain a BUY rating on the stock. We have set a target price of Rs 31,000/share, which implies an upside potential of 12% from the CMP. This valuation is based on a multiple of 42x PE for H1FY27E.

Key Highlights

AIOCD Data for Q2FY25: In Q3FY25, Abbott India reported a revenue growth of 12.3% YoY, outpacing the IPM industry growth of 8%. Key therapies such as Udiliv and Rybelsus experienced robust growth, with 19.2% and 51% QoQ increases, respectively. Other notable therapies like RYZODEG and Duphalac grew by 18% and 17%, respectively, while the CNS/Vertin segments saw declines of -0.8%.

Abbott India's key gynaecological therapy, Duphaston, witnessed another QoQ de-growth of 6% in Q3FY25, owing to competition from Mankind's "Dydrogesterone." However, stable sales of Duphaston and increased volumes of the Thyronorm and Rybelsus brands are expected to drive Abbott India's growth. We anticipate the company will achieve a Revenue and PAT CAGR of 12% and 11%, respectively, over FY24-FY27E.

Healthy cash flow generation strengthening balance sheet

So far in 9MFY25E, Abbott India Ltd. (AIL) generated a robust cash flow of Rs ~950 Cr, elevating its cash reserves to Rs ~1,400 Cr by the end of 9MFY25E. The company's branded business is anticipated to enhance overall profitability. AIL is well-positioned for continued financial stability and growth with a strong Free Cash Flow to Firm (FCFF) to EBITDA ratio of 65%, high return ratios, and substantial dividend payouts.

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 for parents may impact the company's profitability.

Change in Estimates

	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	6,646	7,403	6,646	7,403	0.0%	0.0%
EBITDA	1,701	1,910	1,701	1,910	0.0%	0.0%
PAT	1,349	1,499	1,349	1,499	0.0%	0.0%

Source: Company, Axis Securities Research

Results Review

Particulars (Rs Cr)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ (%)
Net Sales	1,437	1,439	1,558	1,633	1,614	12.3	-1.1
Growth (%)	8.3%	7.1%	5.3%	9.3%	12.3%		
Total Expenditure	1,049	1,109	1,167	1,194	1,178	12.3	-1.3
Raw Material Consumed	117	162	146	172	116		
Stock Adjustment	668	747	781	738	749		
Development Costs	-8	-103	-81	-9	27		
% of sales	54.1%	56.0%	54.3%	55.2%	55.3%		
Gross Margins (%)	45.9%	44.0%	45.7%	44.8%	44.7%	-125	-7
Employee Expenses	139	145	161	147	135	-3.2	-8.6
% of sales	9.7%	10.1%	10.3%	9.0%	8.3%		
Other Expenses	133	158	159	145	151	13.1	4.3
% of sales	9.3%	11.0%	10.2%	8.9%	9.3%		
EBITDA	388	330	391	439	436	22.8	-0.7
EBITDAM (%)	27.0%	22.9%	25.1%	26.9%	27.0%	3	13
Interest	3	3	3	3	2		
Depreciation	18	18	18	18	18		
Other Income	56	81	67	60	72		
PBT	422	390	437	479	488	15.4	1.7
Tax	111	103	109	121	127		
Tax (%)	26.3%	26.3%	25.0%	25.2%	26.0%		
Reported PAT	311	287	328	359	361	15.9	0.6

Source: Company, Axis Securities Research

Therapy wise breakup

Drug	Therapy	Value (Rs Cr)	YoY (%)
Thyronorm	Hormones	650	6.1%
Duphaston	Gynaecological	388	-3%
Udiliv	Gastrointestinal	631	19.4%
Vertin	Neuro / CNS	250	-0.8%
Duphalac	Gastrointestinal	354	17%

Source: IPM

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Particulars (Rs Cr)	FY24	FY25E	FY26E	FY27E
Net Sales	5,849	6,646	7,403	8,130
Growth (%)	9.4%	13.6%	11.4%	9.8%
Total Expenditure	4,396	4,944	5,493	6,024
Raw Material Consumed	3,221	3,635	4,034	4,423
Gross margins (%)	44.9%	45.3%	45.5%	45.6%
Employee Expenses	577	658	733	805
% of sales	9.9%	9.9%	9.9%	9.9%
Other Expenses	599	651	725	797
% of sales	10.2%	9.8%	9.8%	9.8%
EBIDTA	1,453	1,701	1,910	2,106
EBITDAM (%)	24.8%	25.6%	25.8%	25.9%
Depreciation	71	84	100	116
EBIT	1,382	1,617	1,810	1,990
EBITM (%)	23.6%	24.3%	24.4%	24.5%
Interest	12	12	12	12
Other Income	248	206	214	216
PBT	1,618	1,811	2,012	2,194
Tax Rate (%)	25.7%	25.5%	25.5%	25.5%
Tax	417	462	513	559
Reported PAT	1,201	1,349	1,499	1,634

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E Mar, Rs. Cr	FY24	FY25E	FY26E	FY27E
Share Capital	21.3	21.3	21.3	21.3
Reserves & Surplus	3,678	4,336	5,145	6,088
Shareholders Fund	3,699	4,358	5,166	6,110
Total Loan	83	83	83	83
Trade Payables	1,003	1,147	1,278	1,403
Provisions	252	262	272	282
Other Liabilities	157	177	197	217
Total Liabilities	5,193	6,026	6,995	8,095
Gross Block	340	420	500	580
Depreciation	193	277	377	493
% of GB	56.7%	65.9%	75.3%	84.9%
Net Block	147	143	123	87
Fixed Assets	235	231	211	175
Deferred Tax Asset(Net)	0	0	0	0
Long-Term Loans & Advances	0	0	0	0
Other Non-Current Assets	1,713	1,821	2,028	2,227
Inventories	620	728	811	891
Trade Receivables	319	364	406	445
Cash & Cash Equivalents	2,134	2,700	3,347	4,153
Loans & Advances	0	0	0	0
Other Assets & Liabilities	1,885	2,003	2,221	2,430
Total Assets	5,193	6,026	6,995	8,095

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E Mar, Rs Cr	FY24	FY25E	FY26E	FY27E
PBT	1,618	1,811	2,012	2,194
Add: Depreciation	71	84	100	116
Add: Interest	12	12	12	12
Cash flow from operations	1,701	1,907	2,124	2,322
Change in working capital	306	97	181	173
Taxes	417	462	513	559
Net cash from operations	979	1,348	1,430	1,589
Capital expenditure	-95	-80	-80	-80
Net cash from investing	-95	-80	-80	-80
Increase/Decrease in debt	-30	0	0	0
Dividends	-691	-691	-691	-691
Proceedings from equity	0	0	0	0
Others	46	-0	-0	0
Net cash from financing	-687	-703	-703	-703
Net Inc./ (Dec.) in Cash	197	565	647	806
Opening cash balance	1,937	2,134	2,700	3,347
Closing cash balance	2,134	2,700	3,347	4,153

Source: Company, Axis Securities Research

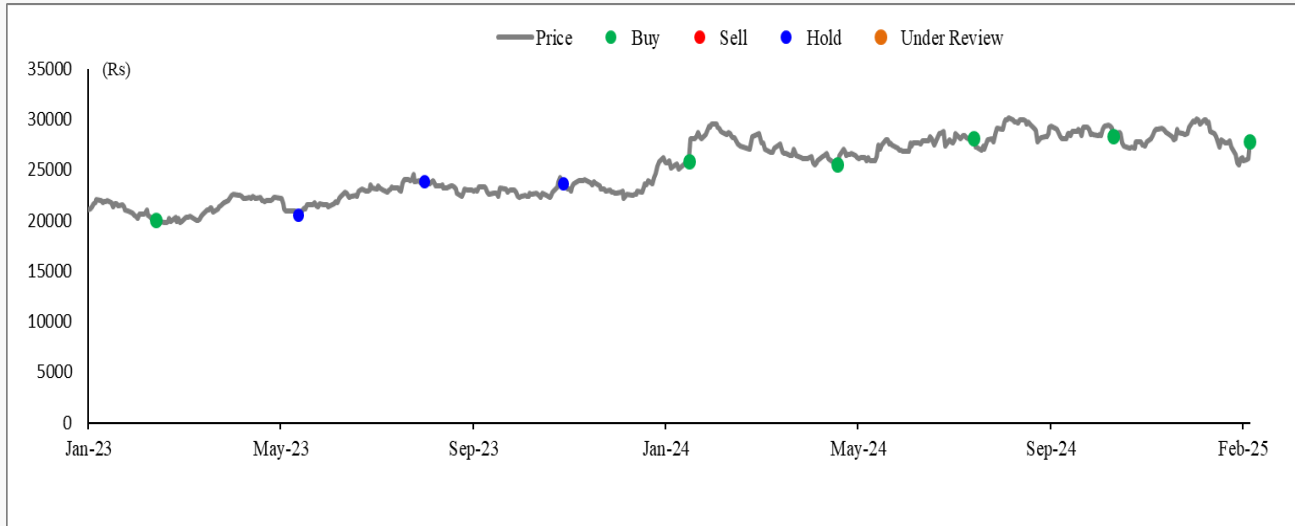
Ratio Analysis

(%)

Y/E March	FY24	FY25E	FY26E	FY27E
Operational Ratios				
Sales growth (% YoY)	9.4	13.6	11.4	9.8
EBITDA growth (% YoY)	20.5	17.1	12.3	10.3
Net Profit growth (% YoY)	26.5	12.3	11.1	9.0
EBITDA Margin %	24.8	25.6	25.8	25.9
Net profit Margin %	20.5	20.3	20.2	20.1
Tax Rate %	25.7	25.5	25.5	25.5
Efficiency Ratios				
Total Asset Turnover (x)	1.1	1.1	1.1	1.0
Sales/Gross block (x)	17.2	15.8	14.8	14.0
Sales/Net block(x)	39.7	46.4	60.1	93.2
Working capital/Sales (x)	-0.01	-0.01	-0.01	-0.01
Valuation Ratios				
PER (x)	49.2	43.8	39.4	36.1
P/BV (x)	16.0	13.6	11.4	9.7
EV/Ebitda (x)	39.2	33.2	29.2	26.1
EV/Sales (x)	9.7	8.5	7.5	6.8
Dividend Yield (%)	1.2	1.2	1.2	1.2
Return Ratios				
ROE	32.5	31.0	29.0	26.7
ROIC	45.2	48.6	49.6	50.5

Source: Company, Axis Securities Research

Abbott India Price Chart and Recommendation History



Date	Reco	TP	Research
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	28,000	Result Update
08-Aug-24	BUY	31,000	Result Update
08-Nov-24	BUY	31,420	Result Update
06-Feb-25	BUY	31,000	Result Update

Source: Axis Securities Research

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NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.