



## 3R MATRIX

	+	=	-
Right Sector (RS)	✓	■	■
Right Quality (RQ)	✓	■	■
Right Valuation (RV)	✓	■	■

+ Positive    = Neutral    - Negative

## What has changed in 3R MATRIX

	Old		New
RS	■	↔	■
RQ	■	↔	■
RV	■	↔	■

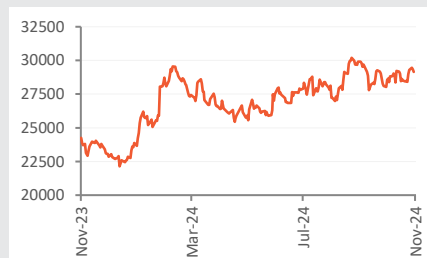
## Company details

Market cap:	Rs. 57,846 cr
52-week high/low:	Rs. 30,521/22,000
NSE volume: (No of shares)	0.31 lakh
BSE code:	500488
NSE code:	ABBOTINDIA
Free float: (No of shares)	0.5 cr

## Shareholding (%)

Promoters	75.0
FII	0.2
DII	9.0
Others	15.8

## Price chart



## Price performance

(%)	1m	3m	6m	12m
Absolute	-9.2	-7.9	1.4	6.8
Relative to Sensex	2.8	1.3	2.8	-3.5

Sharekhan Research, Bloomberg

## Abbott India Ltd

## Healthy earnings: growth momentum to continue

## Pharmaceuticals

Sharekhan code: ABBOTINDIA

Reco/View: Buy

CMP: Rs. 28,314

Price Target: Rs. 32,468

↑ Upgrade    ↔ Maintain    ↓ Downgrade

## Summary

- Revenue stood at Rs. 1,633 crore, rising 9% y-o-y and 5% q-o-q, exceeding our estimates by 3%
- EBITDA stood at Rs. 439 crore, reflecting a 15% y-o-y growth and a 12% q-o-q rise, while PAT amounted to Rs. 347 crore, up 11% y-o-y and 6% q-o-q, surpassing our estimates by 11% and 9%, respectively.
- Healthy product mix and lower RM cost helped margins rise.
- At CMP, the stock trades at ~39x/ 35x its FY2026E/FY2027E EPS of Rs 728.37 and Rs 811.69 per share respectively. Due to a superior margin profile and healthy PAT growth, we upgrade our PT of Rs. 32,468

**Q2FY25 revenues stood Rs. 1,633 crore, rising strongly by 9% y-o-y and up 5% q-o-q, which exceeded our projections by 3%. The EBITDA for the period was Rs. 439 crore, marking a significant y-o-y growth of 15% and a q-o-q increase of 12%, surpassing our estimates by an impressive 11%. Margins also demonstrated strong performance, standing at 27%, which is up by 139 bps y-o-y and 177 bps q-o-q, exceeding our expectations by 189 basis points. Additionally, PAT reached Rs. 347 crore, up 11% y-o-y and 6% q-o-q, surpassing our estimates by 9%.**

## Key positives

- Enhanced margins.
- Other income increased due to a rise in cash and bank balances, with the cash balance as of FY24 reaching Rs. 2,134 crore.
- Company is steadily lowering its debt, resulting in a reduction in finance costs.

## Key negatives

- Increase in tax rate

**Revision in estimates** – As numbers are in-line with our estimates, we have not revised our estimates.

## Our Call

**View: We maintain a Buy rating on Abbott with revised PT of Rs. 32,468:** The earnings for Q2FY25 were robust, with both sales and profit after tax (PAT) experiencing consistent growth, primarily driven by three key factors: 1) Introduction of new products, 2) Price hikes for National List of Essential Medicines (NLEM) items, and 3) maintaining strong leadership in core brands such as Thyronorm, Udiliv, Influvac, Duphalac, and Cremaffin. We believe that the impact of NLEM was largely mitigated by price hikes in the existing product portfolio and ongoing double-digit growth from new product launches. We anticipate that Abbott will continue to achieve record-high performance, supported by 1) a robust and diversified portfolio of over 125 products, 70% of which are in the chronic category, with leadership positions in their respective markets (top 10/20 products contribute 70/90% of revenues), 2) sustained momentum in new product launches with annual double-digit growth (15-20 new introductions over the past five years), and 3) effective cost control measures. Recently, Abbott's core brand Udiliv has entered the top 15 brands in the Indian Pharmaceutical Market (IPM), and continued double-digit price increases for NLEM products (which comprise 25% of the portfolio) are key drivers for near-term earnings. Given its leadership position, we expect sales and PAT to achieve a 10% and 12% CAGR, respectively. With a strong innovative pipeline that includes plans for 75 launches over the next five years, improving return ratios, and a healthy cash balance of approximately Rs. 2,134 crore available for mergers and acquisitions, substantial dividend payouts, and new product launches, the outlook remains positive. At CMP, the stock is trading at about 39x and 35x its FY2026E and FY2027E EPS of Rs. 728.37 and Rs. 811.69 per share, respectively. Given its superior margin profile and PAT growth, we are upgrading our price target to 32468.

## Key Risks

Impact of substitution from cheaper priced generic Aushadi or trade generics can impact overall profitability.

## Valuation (Standalone)

Particulars	Rs cr					
	FY2022	FY2023	FY2024	FY2025E	FY2026E	FY2027E
Net sales	4,913	5,349	5,849	6,422	7,071	7,806
Operating profit	1,082	1,206	1,453	1,670	1,874	2,069
OPM (%)	22%	23%	25%	26%	27%	27%
PAT	799	949	1,201	1,367	1,548	1,725
EPS (Rs)	376.75	447.83	566.61	643.06	728.37	811.69
PER (x)	75	63	50	44	39	35
EV/Ebitda (x)	56	50	41	36	32	29
ROCE (%)	28%	30%	32%	33%	33%	32%
RONW (%)	38%	41%	46%	46%	47%	46%

Source: Company; Sharekhan estimates