



HEM Securities Ltd.

# Abbott India Limited



Stock Coverage

HEM SECURITIES LTD

*Building your wealth through values*



CMP (30 <sup>th</sup> Aug 2018)	7958.35
Target	9560.00
BSC CODE	500488
NSC CODE	ABBOTINDIA
MARKET CAP (RS Cr)	16871.70
52 WEEK HIGH/LOW	8199/4035
INDUSTRY	Pharmaceuticals
FACE VALUE	Rs 10/share
SHARES O/S (IN NO)	2.12 Cr
EPS	204.90
BOOK VALUE	835.40
P/E	38.84
P/B	9.53

Abbott India, part of Abbott's Global Pharmaceutical business, is one of India's most admired and fastest-growing pharmaceutical companies. Co provide products across various therapeutic categories such as Women's Health, Gastroenterology, CNS, Metabolics, General Care, Vitamins, Vaccines, etc. Co's products are manufactured in India and also sourced from local third-party manufacturers in India.

**Strong growth & leadership position in some brands:** As company restructured its product portfolio in key business areas -Women's Health, Gastroenterology, Consumer Care,CNS , Metabolics , General Care & Vaccines among which, women's health grew by 19.1%, Vaccines grew by 59.7% and Metabolics grew by 15.3% in FY18. Company have been able to grow at 1.6 times the market. Co's top 10 brands are leaders (at number 1 or 2 position) in their respective segments. Co's Thyronorm brand ( for thyroid preparations ) & Influvac ( influenza vaccine) retains leadership position with more than 50% market share .

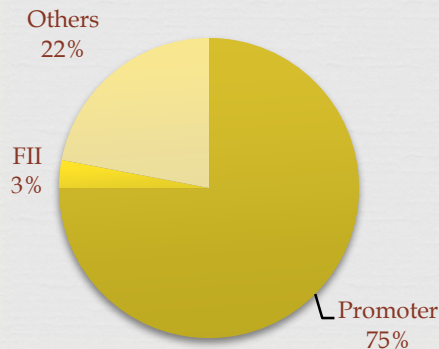
**Healthy Financial Performance :** Company has posted strong growth in Q1 FY19 with topline of company displaying decent YoY growth of 20% at Rs 845 Cr while bottomline of company has witnessed whopping YoY growth of 70% at Rs 84 Cr.

**New Product launches :** Co launched 21 new products in FY18 and aims to launch around 100 products over the next five years as company looks to strengthen existing therapy areas such as gastroenterology, metabolics, vaccines, central nervous system and women's health . As the OTC market is growing strongly at 10.2 % & with the creation of a well-defined & regulated OTC market, coupled with stricter enforcement of prescribing & dispensing regulation, OTC market is all set to achieve growth in coming future . Hence company intends to strengthen its over-the-counter portfolio with a wider range of product profiles.

### Valuation

The company is currently trading at 38.84x of TTM eps of Rs 204.90 while it is trading at 29.77x of FY19E eps & 25.32x of FY20E eps. Company's fundamentals looks quite strong with zero debt in its book. Company's robust plan to launch 100 new products over period of five years coupled with strong sectoral outlook makes stock an attractive destination to deploy the funds in at current level . Hence ,we recommend "Buy" on the stock with price target of Rs 9560.00 for long term horizon

### Shareholding Pattern as on June 2018





## Company Overview

Co launched over 65 new products during the last five years for meeting the increasing healthcare needs of society . Through the distribution network of over 25 carrying and forwarding service providers and hubs, company reach out to millions of Indians. Co have a manufacturing facility at Goa and is engaged with over 40 third-party manufacturers in India. Company's pharmaceutical business covers 90% of therapies in India.

Business Divisions*	Key Brands
Women's Health & Gastrointestine (WH & GI), Gastroenterology, GI Prospera & GI Advance	Duphaston, Udiliv, Cremaffin, Duphalac, Creon, Heptral
Speciality Care ( Metabolics & Central Nervous System)	Thyronorm , Vertin Prothiaden
GenNext & Vaccines	Zolfresh , Influvac, Enteroshield, Brufen, Arachitol Nano
Consumer Care	Digene, Citrosoda, Rashfree

\*The Company operates in a single reportable segment i.e. Pharmaceuticals.

**(i) Women's Health & Gastrointestine, Gastroenterology, GI Prospera and GI Advance Division :** This division offers a mix of co's global & India-specific brands across pregnancy, constipation & liver diseases segments.

**(ii) Specialty Care Division:** This division consists of a comprehensive range of products for treatment of metabolic disorders & central nervous system illnesses , & covers therapy areas like hypothyroidism, vertigo, depression & migraine.

**(iii) GenNext and Vaccines Division :** This Division includes the therapy areas of Pain Management and Vitamins. It comprises multi-specialty drugs and applications, and is primarily aimed at general physicians.

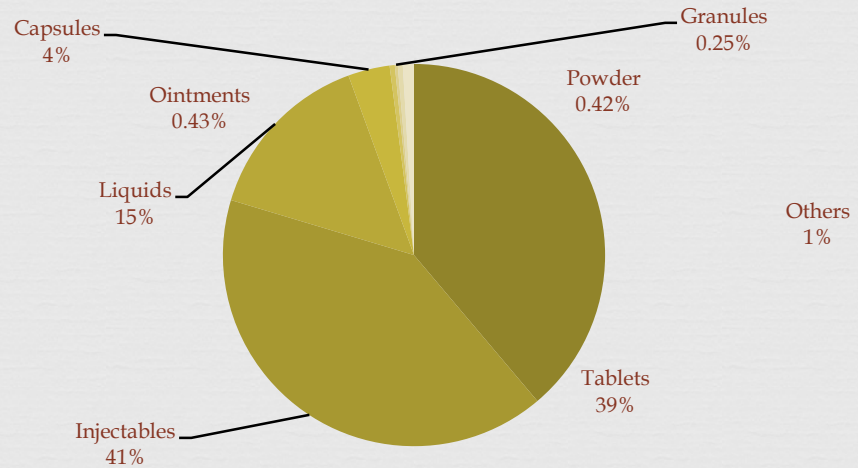
**(iv) Consumer Care Division:** This Division is present in the Over The Counter (OTC) antacid segment and mainly promotes all variants of Digene (antacid -antiflatulent)-tablets , liquids & powders .

Co's Goa plant received a significant upgrade in FY2017-18. The plant is critical in manufacturing of key products such as Cremaffin, Duphalac, Brufen & Digene , New SKUs in Cremaffin , Udiliv & Duphalac were launched. Company's key project is underway to bring all tablet production in-house from third party manufacturers.

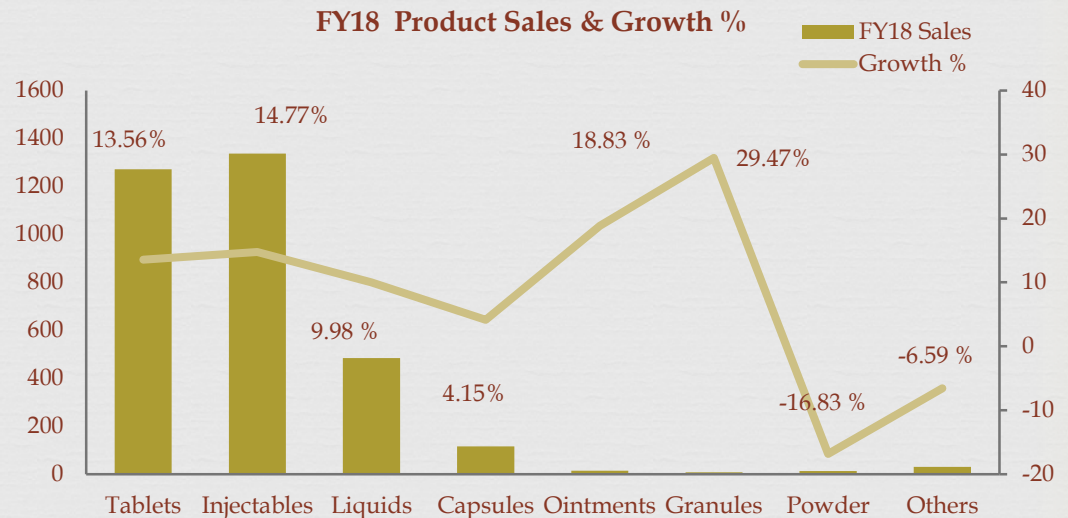




### FY18 Product Sales Breakup



### FY18 Product Sales & Growth %





**Leadership Position in brands**

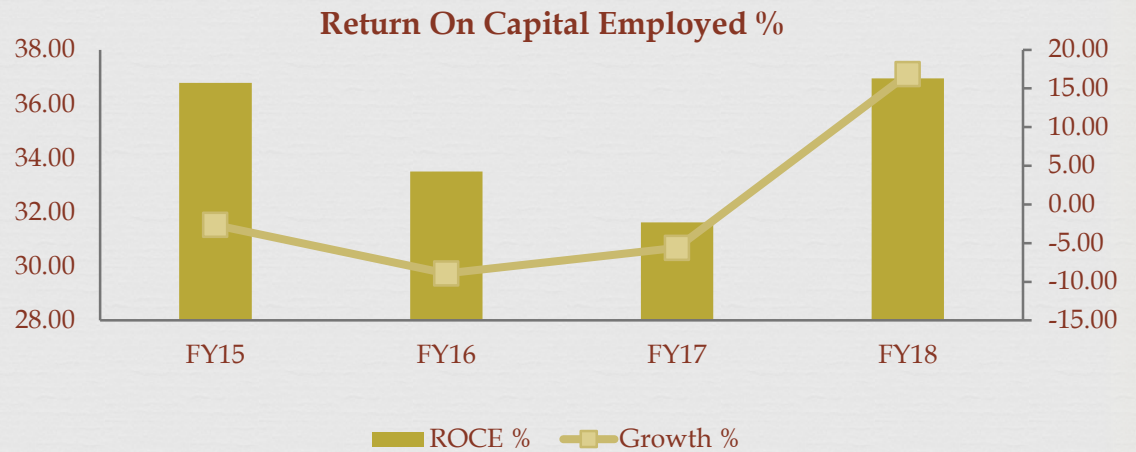
Co’s top 10 brands are leaders (at number 1 or 2 position) in their respective segments. Co’s Thyronorm brand ( for thyroid preparations ) & Influvac ( influenza vaccine) retains leadership position with more than 50% market share . Company has a licensing arrangement with Bharat Biotech India Limited to market vaccines in immunology segment. The key brands in vaccine portfolio are Influvac (Influenza vaccine), Enteroshield (typhoid vaccine) and Rotasure (rotavirus diarrhea vaccine).

**Performance of top brands@**

Brand	Market Share (%)#	Rank#
Duphaston	24.3	1
Thyronorm	51.7	1
Udiliv	15.1	2
Vertin	29.8	1
Cremaffin	9.5	2
Duphalac	13.7	1
Digene##	14.4	1
Influvac	51.4	1
Creon	34.8	1
Prothiaden	7.3	1

@Source : IMS Health  
 #In Respective Participated Market  
 ##Digene Range





Contd.





## New Product Launches

Co launched 21 new products this year and is gearing up to introduce over 100 new products in the next five years. During FY18 , company executed 23 new studies, published 14 publications in major indexed journals & made 7 international congress presentations. The health authority of India approved 3 studies submitted and presented by the Company. The Company received approvals to conduct phase 3 studies in adults/elderly & paediatrics in parallel for its Influvac , Quadrivalent Vaccine (QIV) program. The company also conducted 6 GCP workshops to raise awareness on clinical trials.

Product	Therapy Area	Business Unit
<b>CystoFert</b>	Polycystic Ovary Syndrome	Women's Health
<b>Letrolife</b>	Ovulation	Women's Health
<b>Duphalac bulk</b>	Gut Health	Gastroenterology
<b>Duphapro</b>	Constipation	Gastroenterology
<b>Udiliv450</b>	NAFLD	Gastroenterology
<b>Duphalac Lemon Flavour</b>	Laxative	Gastroenterology
<b>Rashfree</b>	Diaper Rash Cream	Consumer Care
<b>Digene Paan Flavour</b>	Antacid	Consumer Care
<b>Digene Pudina Pearls</b>	Digestive	Consumer Care
<b>Cremaffin fresh</b>	Laxative	Consumer Care
<b>Brufen Active</b>	Pain Relief	Consumer Care
<b>Confinex</b>	Constipation	GI Advance
<b>CremaPeg</b>	Irritable Bowel Syndrome	GI Advance
<b>Dirifa</b>	Diarrhoea/Hepatic Encephalopathy	GI Advance
<b>GX-600</b>	ALD/NALD	GI Advance
<b>elpaclear</b>	Hepatitis C	GI Prospera
<b>Antoxipan</b>	Pain Management in Chronic Pancreatitis	GI Prospera
<b>Heptral T</b>	ALD/NAFLD	GI Prospera
<b>Combinorm</b>	Probiotic ( Bacterial Vaginosis)	Metabolics
<b>Inderal20</b>	Migraine	CNS
<b>CereBion</b>	Stroke/Brain Injury	CNS





### Strong Sectoral Outlook with healthy financial performance

The Indian pharmaceuticals market witnessed growth at a CAGR of 5.64 per cent, during FY11-16, with the market increasing from US\$ 20.95 billion in FY11 to US\$ 27.57 billion in FY16. The industry's revenues are estimated to have grown by 7.4 per cent in FY17. Indian pharmaceutical market grew 5.5 per cent in CY2017 in terms of moving annual turnover. In March 2018, the market grew at 9.5 per cent year-on-year with sales of Rs 10,029 crore (US\$ 1.56 billion). By 2020, India is likely to be among the top three pharmaceutical markets by incremental growth and 6th largest market globally in absolute size reason being increase in the size of middle class households along with the improvement in medical infrastructure and increase in the penetration of health insurance in the country is expected to influence the growth of pharmaceuticals sector. The Government's National Health Protection Scheme Ayushman Bharat which aims to extend health insurance coverage of upto Rs 5 Lakh per family per annum to over 10 crore families equating to around 50 crore beneficiaries is positive for Indian pharmaceutical companies.

Company has seen strong growth in its financials with topline of company has grown at CAGR of almost 10% from FY14 to FY18 while bottomline of company has grown at a CAGR of 19 % during the same years. Company's margin ratio has witnessed double digit growth during FY18 with OPM standing at 16% & NPM at 12% .Company's return ratios were quite attractive with return on Equity standing at 24 % while return on Capital employed standing at 37% during FY18. Company has zero debt in its book.






**Profit & Loss A/C**

Rs Cr

Particulars	FY16	FY17	FY18	FY19E	FY20E
Net Sales	2614.50	2902.56	3298.50	3793.28	4362.27
Growth (%)	---	11.02	13.64	15.00	15.00
Expenditure	2250.77	2507.75	2775.10	3034.62	3468.00
EBIDTA	363.73	394.81	523.40	758.66	894.26
Growth (%)	--	8.54	32.57	44.95	17.87
EBIDTA Margin (%)	13.91	13.60	15.87	20.00	20.50
Other Income	51.24	60.15	118.09	135.80	156.17
Depreciation	14.44	16.43	16.19	18.62	21.41
EBIT	400.53	438.53	625.30	875.84	1029.03
EBIT Margin (%)	15.32	15.11	18.96	23.09	23.59
Interest	2.52	2.04	3.82	3.82	3.82
Exceptional Item	0.00	0.00	0.00	0.00	0.00
PBT	398.01	436.49	621.48	872.02	1025.21
Tax	142.76	159.84	220.26	305.21	358.82
PAT	255.25	276.65	401.22	566.81	666.39
Min Int & Ass Sh	0.00	0.00	0.00	0.00	0.00
Consolidated PAT	255.25	276.65	401.22	566.81	666.39
Growth (%)	---	8.38	45.03	41.27	17.57
NPM (%)	9.76	9.53	12.16	14.94	15.28

**Ratios**

Particulars	FY16	FY17	FY18	FY19E	FY20E
EPS	120.40	130.50	189.25	267.36	314.33
ROCE(%)	33.50	31.62	36.94	40.28	37.34
ROE(%)	21.35	19.95	23.70	26.07	24.1
Book Value	563.96	654.22	798.47	1025.74	1299.98
Debt/Equity	0.00	0.00	0.00	0.00	0.00





Balance Sheet

Rs Cr

Particulars	FY16	FY17	FY18	FY19E	FY20E
Sh Capital	21.25	21.25	21.25	21.25	21.25
Res & Surplus	1174.35	1365.69	1671.51	2153.32	2734.71
Sh App/Warrants	0.00	0.00	0.00	0.00	0.00
Minority Interest	0.00	0.00	0.00	0.00	0.00
Total Debt(Long Term+Short Term Borrowings)	0.00	0.00	0.00	0.00	0.00
Other Long Term Liab & Provison	38.64	47.22	55.35	67.43	82.08
Net Deferred Tax Liability	-9.39	-12.38	-14.60	-14.60	-14.60
Sources Of Fund	<b>1224.85</b>	<b>1421.80</b>	<b>1733.50</b>	<b>2227.40</b>	<b>2823.40</b>
Net Fixed Assets	110.37	114.73	83.55	124.59	233.86
Non -Current Investments	0.00	0.00	0.00	0.00	0.00
Intangible Assets	0.93	1.13	0.00	0.00	0.00
Other Non -Current Assets	45.20	44.53	52.57	77.38	131.72
Total Current Assets	1450.63	1893.02	2265.47	2723.62	3196.00
Current Liabilities & Provisions	382.27	631.64	668.08	698.19	738.14
Net Current Assets	1068.36	1261.38	1597.39	2025.43	2457.86
Uses Of Funds	<b>1224.86</b>	<b>1421.80</b>	<b>1733.50</b>	<b>2227.40</b>	<b>2823.40</b>



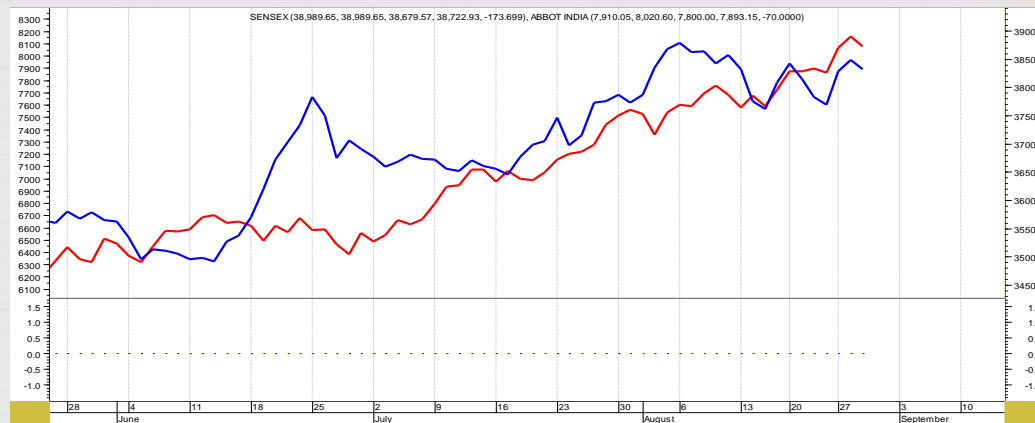


## Quarterly Financial Highlights

Rs Cr

Particulars	Q1FY19	Q1FY18	Q4FY18	YoY%	QoQ%
Net Sales	844.92	706.31	788.36	<b>19.62</b>	<b>7.17</b>
Total Expenses	733.57	653.09	681.74	<b>12.32</b>	<b>7.60</b>
Operating Profit	111.35	53.22	106.62	<b>109.23</b>	<b>4.44</b>
Net Profit	82.40	48.25	100.08	<b>70.78</b>	<b>(17.67)</b>
PBIDTM %	13.18	7.53	13.52	<b>74.90</b>	<b>(2.51)</b>
NPM %	9.75	6.83	12.69	<b>42.76</b>	<b>(23.17)</b>
EPS	38.78	22.71	47.10	<b>70.78</b>	<b>(17.66)</b>

## Past Price Movement





HEM SECURITIES LIMITED

MEMBER-BSE,CDSL,SEBI REGISTERED CATEGORY I MERCHANT BANKER

Sebi Registration No For Research Analyst: INH100002250

MUMBAI OFFICE: 904, A WING. 9<sup>TH</sup> FLOOR, NAMAN MIDTOWN, SENAPATI BAPAT MARG,  
ELPHINSTONE ROAD, LOWER PAREL ,MUMBAI -400013

PHONE- 0091 22 49060000

FAX- 0091 22 2262 5991

JAIPUR OFFICE: 203-204, JAIPUR TOWERS, M I ROAD, JAIPUR-302001

PHONE- 0091 141 405 1000

FAX- 0091 141 510 1757

GROUP COMPANIES

HEM FINLEASE PRIVATE LIMITED

MEMBER-NSE

HEM MULTI COMMODITIES PRIVATE LIMITED

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#### Disclosure of Interest Statement

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|--|----|
| 1. Analyst Ownership of the Stocks                         | No |
| 2. Hem & its Group Company Ownership of the Stock          | No |
| 3. Hem & its Group Company Director Ownership of the Stock | No |
| 4. Broking relationship with Company covered               | No |

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