



Good Show On Margins Front

AIL reported Q2FY21, flat revenue growth vs IPM growth of 4.5% on YoY basis which is below to our expectation also. The extended lockdown on account of COVID-19 has led to a slowdown in demand in some therapeutic areas and resulted in lower sales. Gross margins improved by 254 bps due to better product mix and low raw material prices. EBITDA margins 22.8%, improved by 346 bps based on better gross margins and lower other expenses. Reported PAT grew by 13.5% which is impacted by high tax rates. **We expect revenue and PAT CAGR of 10.6% and 14.0% over the period FY20-FY23E and recommend “BUY” with target price of INR 18,500.**

AIOCD Data for Q2FY21:

IPM industry grew by 4.5% while AIL reported flat growth on YoY for Q2FY21. Major therapeies like Thyronorm and Duphaston de-grew by -3.0% and -32.8% respectively while therapeies like Udiliv, Vertin & Duphalac grew by 6.1%, 6.4% & 6.5% respectively. Vitamins and cardiac segment reported growth of 27.2% and 29.5% respectively.

Healthy cashflow generation increases the cash pile in BS

AIL reported healthy cashflow generation INR 252 crore in the last six months that has increased the cash to INR 1,952 crore in BS. The overall improvement in operating margins by 400 bps in last six months have improved RoCE by 300 bps.

Therapy leading products (Branded Business)

AIL's top 10 brands are leaders (positioned at #1 or #2) in their respective segments and comprise 72% of revenue in the Brands division. The company has launched 21 new products/product extensions in the past year, in a continuous endeavor to expand its existing portfolio; it aims to launch 110 new products in the next 5 years. Its therapy leading products (Brands) segment comprises 62% of overall revenues and the company has signed an agreement with Novo-Nordisk to market insulin products (38% of revenue) in the domestic market.

Key Financials (Standalone)

(Rs. Cr)	FY20A	FY21E	FY22E	FY23E
Net Sales	4,093	4,377	4,894	5,539
EBITDA	756	884	940	1,086
Net Profit	593	719	767	875
EPS (Rs.)	279.0	338.5	360.8	411.9
PER (x)	55.5	45.7	42.9	37.6
EV/EBITDA (x)	40.6	34.6	32.2	27.5
P/BV (x)	13.5	11.5	9.9	8.6
ROE (%)	24.4%	25.1%	23.1%	22.7%

Source: Company, Axis Research

(CMP as of Nov 11, 2020)

CMP (Rs)	15,400
Upside /Downside (%)	20%
High/Low (Rs)	18569/8484
Market cap (Cr)	32,525
Avg. daily vol. (6m) Shrs.	10,867
No. of shares (Cr)	2.12

Shareholding (%)

	Dec-19	Mar-20	Jun-20
Promoter	74.99	74.99	74.99
FII	-	-	-
MFs / UTI	4.65	4.65	4.65
Banks / FI	17.52	17.52	17.52
Others	1.48	1.48	1.48

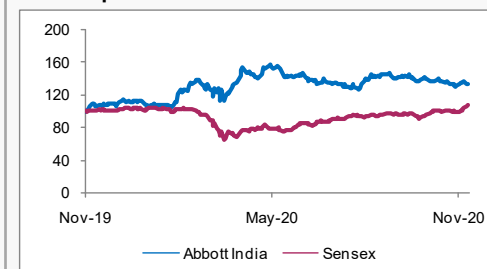
Financial & Valuations

Y/E Mar (Rs. Cr)	FY21E	FY22E	FY23E
Net Sales	4,377	4,894	5,539
EBITDA	884	940	1,086
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Key Drivers (%) (Growth in %)

Y/E Mar	FY20	FY21E	FY22E
Net Sales	4,377	4,894	5,539
EBITDA	827	940	1,086
Net Profit	677	767	875

Relative performance



Source: Capitaline, Axis Securities

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Abbott India Ltd: Q2FY21 results

Particulars (Rs Cr)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	YoY (%)	Q0Q (%)
Net Sales	1,055	1,078	961	1,064	1,055	0.0	-0.9
Growth (%)	0	0	0	6.5%	0.0%		
Total Expenditure	851	839	823	831	814	-4.3	-2.0
Raw Material	108	105	139	126	121	12.1	-3.4
Stock Adjustment	492	377	486	542	498	1.1	-8.1
Development Costs	1	116	-70	-57	-44		
% of sales	57.1%	55.5%	57.8%	57.3%	54.5%		
Gross margins (%)	42.9%	44.5%	42.2%	42.7%	45.5%	254	281
Employee Expenses	121	119	116	128	123	2.2	-4.0
% of sales	11.4%	11.0%	12.1%	12.1%	11.7%		
Other Expenses	128	121	151	92	116	-9.7	25.5
% of sales	12.2%	11.3%	15.7%	8.7%	11.0%		
EBITDA	204	240	138	233	241	17.9	3.1
EBITDAM (%)	19.4%	22.2%	14.4%	21.9%	22.8%	346	89
Interest	2	2	3	4	5		
Depreciation	15	15	15	14	14		
Other Income	29	28	28	28	22		
PBT	216	250	148	243	244	12.7	0.5
Tax	38	64	38	62	63		
Tax (%)	17.5%	25.5%	25.6%	25.6%	25.8%		
Reported PAT	178	187	110	180	181	1.4	0.2

Source: Company, Axis Research

AIL: Therapy mix

Drug	Therapy	Value (Rs Cr)	Last 3M (%)
Thyronorm	Hormones	348	-3
Duphaston	Gynecological	313	-32.8
Udiliv	Gastrointestinal	288	5.1
Vertin	Neuro / CNS	186	10.4
Duphalac	Gastrointestinal	175	6.3

Source: Company, Axis Research

Financials (Standalone)
Profit & Loss

(Rs Cr)

Y/E March	FY20P	FY21E	FY22E	FY23E
Net sales	4,093	4,377	4,894	5,539
Other operating income	0	0	0	0
Net Revenue	4,093	4,377	4,894	5,539
Cost of goods sold	2,316	2,425	2,745	3,074
Contribution (%)	56.57%	55.40%	56.10%	55.50%
Other operating costs	1,021	1,068	1,209	1,379
EBITDA	756	884	940	1,086
Other income	114	130	153	166
PBIDT	871	1,014	1,093	1,252
Depreciation	60	47	62	77
Interest & Fin Chg.	9	8	8	8
E/o income / (Expense)	0	0	0	0
Pre-tax profit	803	959	1,022	1,167
Tax provision	210	240	256	292
(-) Minority Interests	0	0	0	0
Associates	0	0	0	0
Adjusted PAT	593	719	767	875
Other Comprehensive Income	0	0	0	0
Reported PAT	593	719	767	875

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY20P	FY21E	FY22E	FY23E
Total assets	3,547	4,087	4,679	5,357
Net Block	271	324	362	385
CWIP	2	2	2	2
Investments	0	0	0	0
Wkg. cap. (excl cash)	187	480	536	607
Cash / Bank balance	2,197	2,306	2,618	2,997
Misc. Assets	0	0	0	1
Capital employed	3,547	4,087	4,679	5,357
Equity capital	21.3	21.3	21.3	21.3
Reserves	2,410	2,842	3,302	3,827
Pref. Share Capital	0	0	0	0
Minority Interests	0	0	0	0
Borrowings	0	0	0	0
Def tax Liabilities	14	14	14	14

Source: Company, Axis Securities

Cash Flow
(Rs Cr)

Y/E March	FY20P	FY21E	FY22E	FY23E
PBT	803	959	1,022	1,167
Add: depreciation	60	47	62	77
Add: Interest	9	8	8	8
Cash flow from operations	871	1,014	1,093	1,252
Change in working capital	-258	270	110	124
Taxes	210	240	256	292
Miscellaneous expenses	0	0	0	0
Net cash from operations	919	504	727	837
Capital expenditure	-56	-100	-100	-100
Change in Investments	0	0	0	0
Net cash from investing	-56	-100	-100	-100
Increase/Decrease in debt	0	0	0	0
Dividends	-228	-288	-307	-350
Proceedings from equity	0	0	0	0
Interest	-9	-8	-8	-8
Others	-113	0	0	0
Net cash from financing	-349	-296	-315	-358
Net Inc./ (Dec.) in Cash	513	109	313	379
Opening cash balance	1,684	2,197	2,306	2,618
Closing cash balance	2,198	2,306	2,618	2,997

Source: Company, Axis Securities

Ratio Analysis

(%)

Y/E March	FY20P	FY21E	FY22E	FY23E
Sales growth	11.3	6.9	11.8	13.2
OPM	18.5	20.2	19.2	19.6
Oper. profit growth	25.0	16.9	6.3	15.6
COGS / Net sales	56.6	55.4	56.1	55.5
Overheads/Net sales	24.9	24.4	24.7	24.9
Depreciation / G. block	27.8	15.0	15.0	15.0
Effective interest rate	26.1	25.0	25.0	25.0
Net wkg.cap / Net sales	0.0	0.1	0.1	0.1
Net sales / Gr block (x)	19.1	13.9	11.8	10.8
RoCE	55.4	49.2	45.2	45.7
Debt / equity (x)	0.0	0.0	0.0	0.0
Effective tax rate	26.1	25.0	25.0	25.0
RoE	24.4	25.1	23.1	22.7
Payout ratio (Div/NP)	38.5	40.0	40.0	40.0
EPS (Rs.)	279.0	338.5	360.8	411.9
EPS Growth	31.6	21.3	6.6	14.1
CEPS (Rs.)	50.4	42.9	39.7	34.6
DPS (Rs.)	107.3	135.4	144.3	164.7

Source: Company, Axis Securities

About the analyst**Analyst:** Ankush Mahajan**Contact Details:** ankush.mahajan@axissecurities.in**Sector:** Midcaps/ Pharma Sector**Analyst Bio:** Ankush Mahajan is MBA (Finance) from SMVDU with over 12 years of research experience in the Midcaps/ Pharma Sector**Disclosures:**

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