

Best play in IPM

Abbott India (BOOT) is one of the strongest pharma MNCs with six Rs 1bn+ brands, 36 number one brands, and a substantial presence in both chronic and specialty segments. Historical financial performance has been robust with 16% organic rev CAGR, 25% EBITDA CAGR and 26% PAT CAGR over FY14-18. Adjusted for cash (~Rs 13bn, Sep-18), ROIC has been at 70% plus even as dividend payouts have been ~30%.

We believe BOOT is in the sweetest spot of the Indian pharma market (IPM), with leadership in women's hormones, hypothyroidism, niche gastro treatments, and neuro-ailments. Unlike other MNCs, BOOT has the freedom to launch new products/brands in existing therapies in India. Having a presence in growing therapies, BOOT is estimated to report ~13% revenue CAGR over FY19-21, while select price hikes will drive ~60bps margin expansion, resulting in ~18% earnings growth. With the ability to generate Rs ~3bn+ annual FCFs, super-rich ROICs and strong visibility on growth, we believe BOOT is the best play in the Indian pharma market. While we don't actively cover BOOT, a fair value of Rs 8,950 (30x FY21E EPS) is apparent to us.

Investment arguments

- Fastest growing MNC:** There are over 40 MNCs in IPM. However, BOOT has been the only one (among those with Rs 10bn+ revenues) to grow in double-digits (15%+) over the last 4 years. BOOT enjoys an MNC brand while also having the independence to launch generic products. Overall, it has 36 leading

brands in India, Thyronorm and Duphaston being the largest ones with 20%+ volume growth over FY14-18.

- Acceleration in new product launches:** Over the last 5 years, BOOT has launched 65+ new products (and plans to launch 100+ more over the next 4 years). While a majority of recent launches are in gastro, others belong to entirely new areas like vaccines and anti-infectives. This will be the new growth engine.
- Least overlap with private subsidiary:** Abbott Inc (US) has two subsidiaries in India – BOOT, and Abbott Healthcare (unlisted). There is negligible product overlap between the two entities. BOOT leads in Gastro, Hormones, and Gyneac; whereas Abbott HC in Nutra, Cardiac and Anti-Infectives. BOOT remains the more profitable entity and we did not find any evidence of parent bias towards the unlisted entity.
- Rich fundamentals merit higher valuations:** At CMP, BOOT is trading at 30/25x FY20/21E EPS and is at a ~13% discount to the MNC-average. Considering its high growth portfolio, healthy ROICs and ability to generate Rs 3bn+ FCF, it looks better placed.

Financial Summary

(Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	29,387	33,071	37,205	42,189	47,481
EBITDA	3,973	5,245	5,990	6,919	7,929
APAT	2,766	4,012	4,578	5,337	6,338
Adj. EPS (Rs)	130.2	188.8	215.4	251.2	298.3
P/E (x)	56.9	39.2	34.4	29.5	24.8
RoE (%)	21.4	26.1	24.7	24.3	24.4
RoIC (%)	74.5	86.0	79.9	85.3	90.6

Source: Company, HDFC sec Inst Research

INDUSTRY	PHARMA
CMP (as on 17 May 2019)	Rs 7,402
Fair Value	Rs 8,950
Nifty	11,407
Sensex	37,931

KEY STOCK DATA	
Bloomberg	BOOT IN
No. of Shares (mn)	21
MCap (Rs bn) / (\$ mn)	157/2,235
6m avg traded value (Rs mn)	41

STOCK PERFORMANCE (%)			
52 Week high / low	Rs 8,834/6,221		
	3M	6M	12M
Absolute (%)	1.5	(2.9)	10.1
Relative (%)	(4.6)	(9.8)	1.2

SHAREHOLDING PATTERN (%)		
	Dec-18	Mar-19
Promoters	74.99	74.99
FIs & Local MFs	7.00	7.13
FPIs	2.06	1.90
Public & Others	15.95	15.98
Pledged Shares*	-	-

Source : BSE, *% of total

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BOOT has been the fastest-growing listed MNC in India, with a CAGR of 16% over FY14-18. It is now the largest company (by revenue) in this category

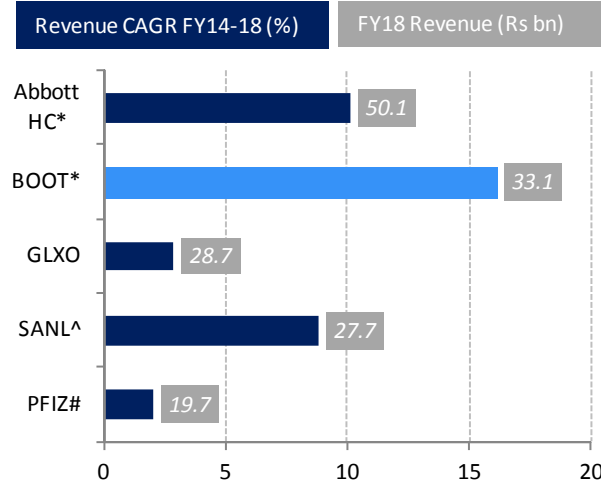
BOOT is also ahead of its MNC-peers with ~99% of its revenues coming from market-beating growth therapies, while its peers range between 60-85%

The company also maintains a strong track-record of FCF generation, aided by limited capex requirements

With 21 new product launches in FY18 and 66 new launches over the last 5 years, BOOT has outclassed its MNC peers in yet another parameter

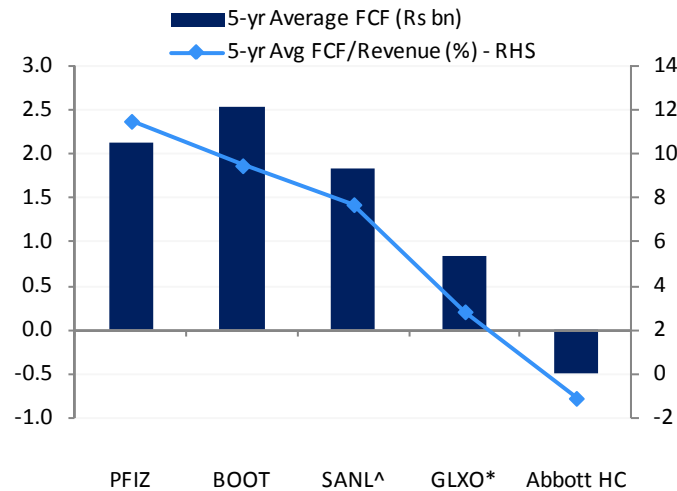
BOOT v/s MNCs

Highest Revenue CAGR Among MNC Peers



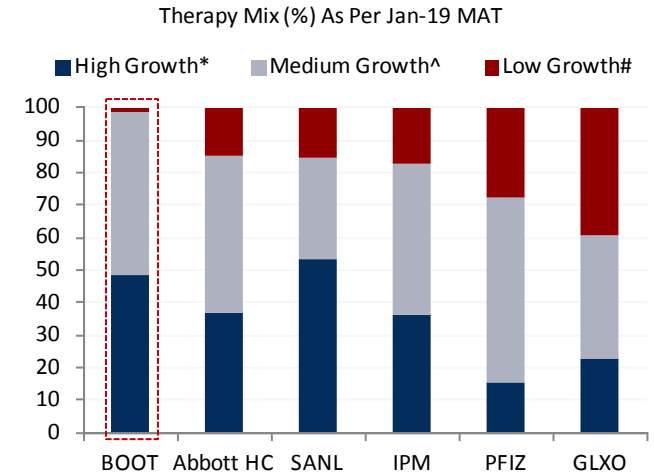
Source: Company, HDFC sec Inst Research; *Annualized 15MFY14; ^CY14-CY17; #FY15-18 due to acquisition

Highest FCF Among Listed MNCs



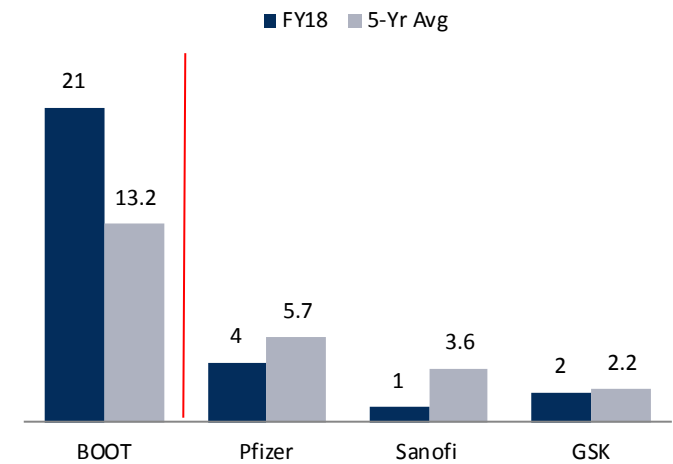
Source: Company, HDFC sec Inst Research; *15MFY15; ^CY14-CY17

Best Therapy Mix Comprised Of Growing Therapies



Source: AIOCD, HDFC sec Inst Research; *>10%; ^8-10%; <8%

Strong Product Launch Momentum



Source: Company, HDFC sec Inst Research

*In comparison with Indian companies, **BOOT** manages to stand-out; with a strong organic revenue growth trajectory despite its high base*

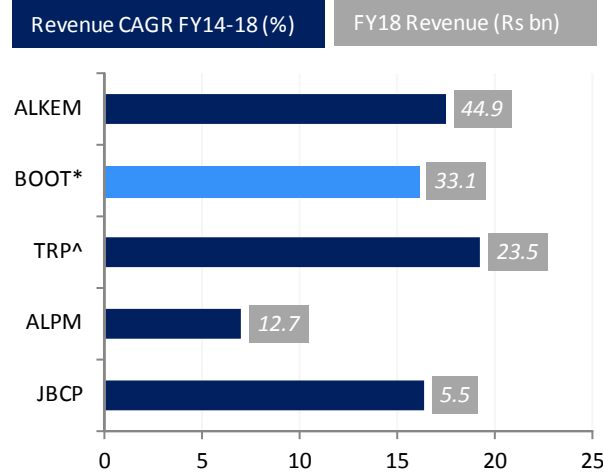
*Its therapy mix remains the best-in-class. Closest peers include **JBCP** and **TRP**, while the others range between 60-85% of revenues from above-average growth therapies*

*When scaled to revenues, **BOOT** still ranks the highest in FCF generation amongst Indian peers as well*

***BOOT** also has a healthy dividend payout. The co has paid ~28% (on an average) of its earnings as dividends to shareholders over FY14-18*

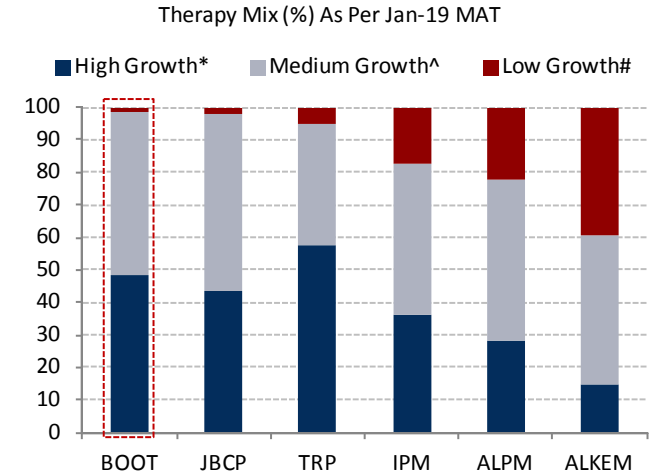
BOOT v/s Indian Peers

Organic Rev. Growth Among The Highest In IPM



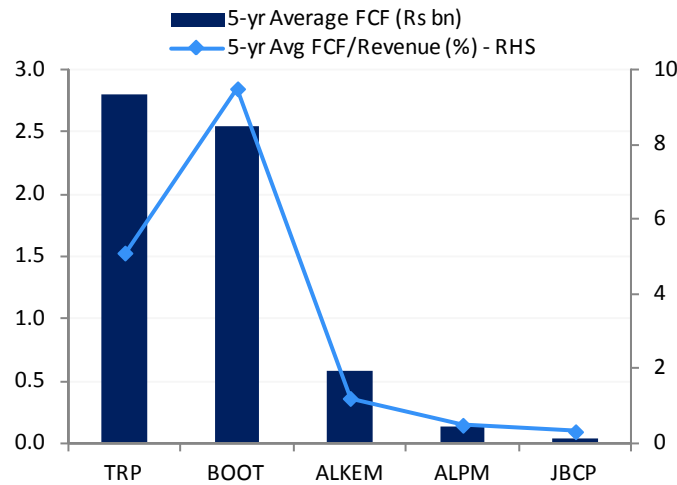
Source: Company, HDFC sec Inst Research; *Annualized 15MFY14; ^inorganic driven

Best Therapy Mix Comprised Of Growing Therapies



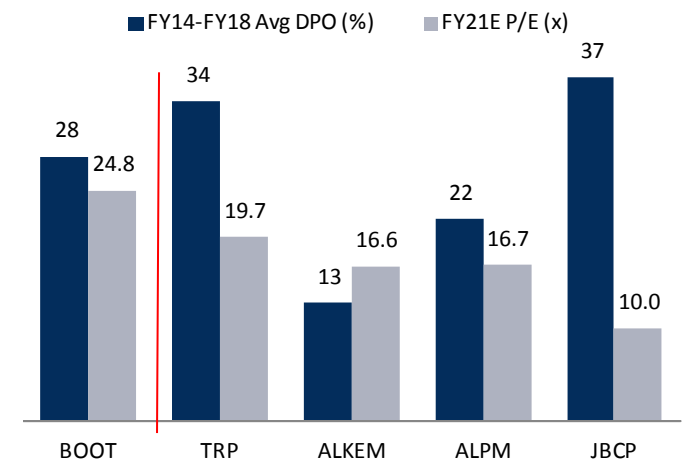
Source: AIOCD, HDFC sec Inst Research; *>10%; ^8-10%; #<8%

Best FCF/Sales



Source: Company, HDFC sec Inst Research

Healthy Dividend Payout



Source: Company, HDFC sec Inst Research

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We expect a ~13% revenue CAGR over FY19-21E driven by scale up in existing products and new launches

Top 10 products constitute ~65% of revenue from Abbott's portfolio

Company has a distribution deal with Novo Nordisk for its insulin portfolio, which records sales ~Rs 1.4bn

~73% of total revenues come from chronic and sub-chronic segments

Snapshot

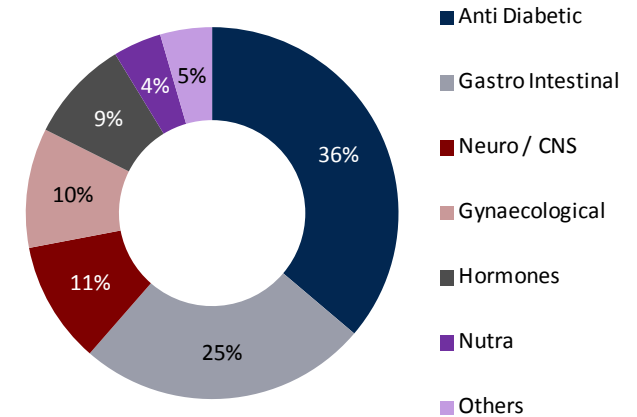
- Abbott, as a corporate, has 6% market share in the Indian Pharma Market, second only to Sun Pharma at 8% MS. However, Abbott India (BOOT), which is the listed entity of Abbott's Indian segment, generated Rs 39bn in secondary revenues with 3% MS (as per Jan-19 MAT). The primary sales will also be at Rs 39bn in FY19, with a ~13% CAGR expectation over FY19-21E.
- Therapy mix is largely skewed towards niche and specialty therapies (73% of Jan-19 MAT). The key therapies include Gastro (niche), Anti-Diabetes, CNS, Gynecology, and Hormones.
- The Top 10 products of the company contribute 65% to sales while top 5 therapies contribute 49% to the total sales (excluding Novo Nordisk's portfolio).

Top 15 companies in India

No.	Company	Jan-19 MAT (Rs bn)	Growth YoY (%)	MS (%)
	IPM	1,302	9.6	100
1	Sun Pharma	106	7.3	8.2
2	Abbott (India + HC)	81	11.3	6.3
3	Cipla	61	8.9	4.7
4	Zydus Cadila	53	7.3	4.1
5	Lupin	48	15.5	3.7
6	Mankind	47	10.6	3.6
7	Alkem	45	10.9	3.5
	Abbott Healthcare	43	6.6	3.3
8	Torrent	42	13.1	3.2
	Abbott India (BOOT)	39	16.9	3.0
9	Intas	38	15.7	2.9
10	GSK	37	5.0	2.9
11	Emcure	33	7.5	2.5
12	Pfizer	31	5.4	2.4
13	Glenmark	30	15.0	2.3
14	Sanofi India	29	10.1	2.3

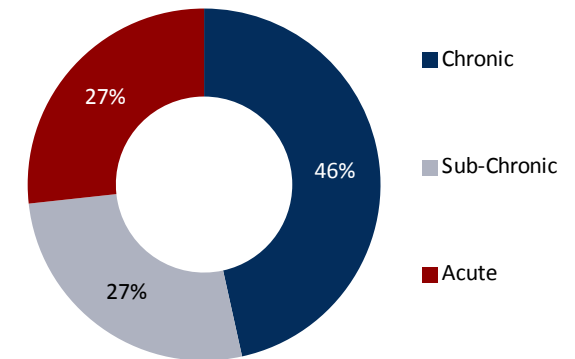
Source: AIOCD, HDFC sec Inst Research

Therapy Mix Skewed Towards Chronic + Specialty



Source: AIOCD, HDFC sec Inst Research

Chronic & Sub-Chronic Heavy Portfolio



Source: AIOCD, HDFC sec Inst Research

The key therapy areas for BOOT include Anti-Diabetic, Gastro, CNS, Gynaecology, Hormones, and Nutra

All the top therapies, excluding Nutra, have shown 9-40% CAGR over the last four years

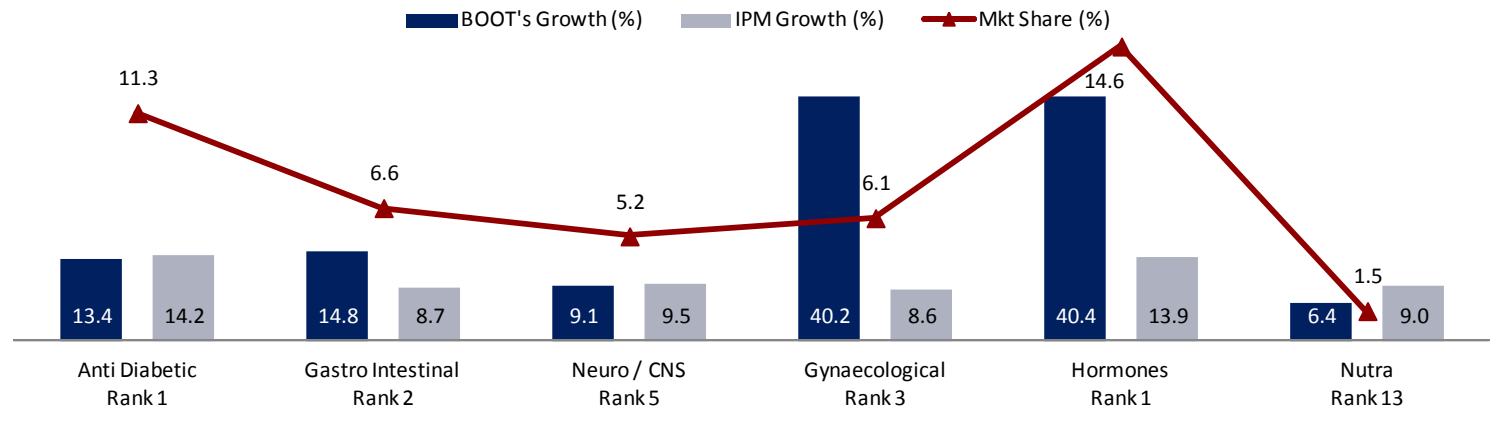
Additionally, BOOT has also beat IPM's growth rate in its key therapies

For 5 of the top 6 therapies, BOOT ranks within top 5 in the IPM

Branded generics grab

- **High-growth, specialty-heavy portfolio:** ~90% of BOOT's revenues are coming from its top 6 therapies, namely – Anti-Diabetic, Gastro, CNS, Gynaecology, Hormones, and Nutra.
- Except the Nutra therapy (4% of revenue), the other 5 therapies have shown 9-40% CAGR over the last four years. ~40% revenue CAGR in Gyneac and Hormones is driven by the top two brands – Duphaston and Thyronorm.

Leading Therapies For BOOT



Source: AIOCD, HDFC sec Inst Research

Anti-Diabetic

- BOOT has undergone a resell and distribution deal with Novo Nordisk for the latter's Diabetic portfolio, specifically in the insulin business. BOOT records sales of over Rs 14bn through this segment. The sale values are distributed among several products; the largest of all being Mixtard, followed by Novomix and Ryzodeg.
- We believe this global marketing tie-up with Abbott Inc is likely to stay for the foreseeable future unless Novo Nordisk is sold or acquired by some other entity.
- **Novo Nordisk has filed one GLP-1 in Feb-19, while one more GLP-1 is in phase II, along with long-acting insulin. We expect Anti-diabetic revenues to maintain 12%+ revenue growth over the next two years.**

Top Three Products In Anti-Diabetic

Product	Jan-19 MAT (Rs bn)	Market Share (%)	Market CAGR (%)	Product CAGR (%)
Mixtard	5.3	19.0	14.7	2.9
Novomix	3.1	11.1	14.7	23.0
Ryzodeg	1.3	4.6	14.7	212.7

Source: AIOCD, HDFC sec Inst Research

BOOT is the second largest company in the Gastro therapy with 57 brands in total; leading in 15 brands

Neuro/CNS derives 11% of revenues, supported by number one brands like Vertin, Eptoin, and Zolfresh

Other segments include Hormones, Gynaecology, and Nutra. Both the top brands, Thyronorm and Duphaston, are Rs 3bn plus in revenues and are growing at a healthy 20% rate over the last few years

In Nutraceuticals, BOOT's sister company, Abbott HC remains the market leader in India. BOOT has a small presence with brands like Betonin and Arachitol

Gastro-Intestinal

- BOOT is one of the largest companies in India's Gastro therapy, second only to Sun Pharma. Gastro contributes ~25% to sales, and BOOT has ~7% share in the Rs 137bn market. In total, it has 57 brands in this category, with 15 brands at the number one position. Key brands include Udiliv, Duphalac, Cremaffin, Cremaffin Plus, and Digene. **Gastro will remain the mainstay of BOOT's business and we expect it to grow at 15%+ driven by new launches.**

Top Products In Gastro

Product	Jan-19 MAT (Rs bn)	Market Share (%)	Market CAGR (%)	Product CAGR (%)
Udiliv	2.3	43.8	16.3	21.2
Duphalac	1.5	49.2	11.9	10.8
Cremaffin	1.8	89.6	15.6	17.8
Digene	0.8	87.1	3.9	4.8
Creon	0.6	42.4	17.4	13.4

Source: AIOCD, HDFC sec Inst Research

Other Segments

- The company records about ~Rs 9.1bn in sales from other therapy areas like Gynaecology, Hormones, and Nutra. The largest brands are Duphaston and Thyronorm. Despite under NLEM, Thyronorm grew at 40%+ YoY (Jan-19 MAT). While BOOT is the sole player in the Duphaston market, it faces competition in Thyronorm. However, BOOT's strong branding provides an edge over GSK's Eltroxin and other smaller brands, retaining 50%+ market share.
- We believe both these brands are likely to grow at 15%+ over the next 5 years on the back of increasing awareness, availability of diagnostic centers, and lifestyle changes. These brands will continue to be the growth driver for BOOT.**

Neuro/CNS

- BOOT generates ~Rs 4.1bn revenue from the Neuro/CNS products, making this its 3rd largest segment which contributes ~11% to total sales. The key products within the segment are Vertin, Eptoin, and Zolfresh; which stand at Rank 1 in their respective categories. **The company has also launched 4 products over the last 5 years, including Cerebion and Snapit, which belong to less mature markets. Overall, BOOT has increased its focus on this segment; expect growth in CNS to pick up over the coming years.**

Top Products In CNS

Product	Jan-19 MAT (Rs bn)	Market Share (%)	Market CAGR (%)	Product CAGR (%)
Vertin	1.6	65.4	12.7	14.9
Eptoin	0.7	69.9	(2.4)	0.4
Zolfresh	0.5	61.2	7.0	9.3

Source: AIOCD, HDFC sec Inst Research

Top Products in Gynaecology & Hormones

Product	Jan-19 MAT (Rs bn)	Market Share (%)	Market CAGR (%)	Product CAGR (%)
Duphaston	3.5	100.0	22.3	22.3
Thyronorm	3.4	52.4	17.7	23.7

Source: AIOCD, HDFC sec Inst Research

- The Nutra segment (~Rs 1.6bn) contributes ~4% to total revenues and has grown at 6% YoY (Jan-19 MAT). Key products are Betonin and Arachitol. BOOT has launched 9 Nutra products over the last 5 years.

Top Products in the Nutra Segment

Product	Jan-19 MAT (Rs mn)	Market Share (%)	Market CAGR (%)	Product CAGR (%)
Betonin	473	42.5	6.5	16.1
Arachitol	380	6.6	13.8	33.3

Source: AIOCD, HDFC sec Inst Research

Vaccines are a small segment as of now. However, BOOT aims to launch a few products over the next two years. This could be the new growth driver for the company.

Influvac vaccine revenues represented by AIOCD are less than Rs 100mn. However, due to direct institutional sales, there is a high possibility that it is not reflecting the true size of this market

Entry into the Vaccines segment

- BOOT entered the lucrative, high-margin vaccines segment of India in 2014-15. This segment accounts for ~0.6% (Rs 223mn) of total top-line. It has launched Influvac from its parent's portfolio, which contributes ~31% to BOOT's Vaccines revenues. Additionally, BOOT has a licensing agreement with Hyderabad-based Bharat Biotech to market 4 vaccines in the immunology segment.
- BOOT aims to drive growth in the Vaccines segment on the back of several programs like the MAI campaign (Mothers Against Influenza), which will raise awareness about vaccines. Moreover, the company also plans to launch multiple vaccines over the coming years, which could be from the Parent's portfolio, or through additional partnerships.

Top Vaccines

Product	Jan-19 MAT (Rs mn)	Market Share (%)	Market CAGR (%)	Product CAGR (%)
Enteroshield	121	4.0	6.4	-
Influvac	77	9.2	10.3	62.6

Source: AIOCD, HDFC sec Inst Research

Acquisition of Solvay

- The Parent Co, Abbott Labs US, acquired Belgium-based Solvay in 2010. The global deal was valued at EUR 4.8bn (US\$ 6.6bn). The key brands for BOOT include Duphaston, Udiliv, Vertin, Duphalac, Creon, and Colospa.

Top Products From Solvay

Product	Jan-19 MAT (Rs bn)	Market Share (%)	Market CAGR (%)	Product CAGR (%)
Duphaston	3.5	100.0	22.3	22.3
Udiliv	2.3	43.8	16.3	21.2
Vertin	1.6	65.4	12.7	14.9
Duphalac	1.5	49.2	11.9	10.8

Source: AIOCD, HDFC sec Inst Research

The top 5 therapies contribute ~90% to total revenues

BOOT is ranked 1 in anti-diabetes and hormones and comes within the top 5 in gastro, neuro, and gynaec

Among its top 10 products, Thyronorm and Eptoin fall under NLEM

Despite under NLEM, Thyronorm has grown at ~24% CAGR over the last 5 years

Snapshot Of Therapy-wise Performance

Therapy	Jan-19			YoY		Jan-15 - Jan-19	
	MAT (Rs mn)	Revenue Share (%)	Market Share (%)	BOOT's Growth (%)	Market Growth (%)	BOOT's CAGR (%)	Market CAGR (%)
Anti-Diabetic (Novo)	13,998	36.2	11.3	13.4	14.2	13.0	17.3
Gastro Intestinal	9,734	25.2	6.6	14.8	8.7	15.9	9.8
Neuro / CNS	4,094	10.6	5.2	9.1	9.5	7.9	10.7
Gynaecological	4,000	10.4	6.1	40.2	8.6	22.4	9.0
Hormones	3,449	8.9	14.6	40.4	13.9	20.2	9.8
Vitamins / Minerals / Nutrients	1,612	4.2	1.5	6.4	9.0	7.2	8.6
Pain / Analgesics	404	1.0	0.5	(4.3)	8.3	(4.4)	9.2
Derma	396	1.0	0.5	4.2	10.7	11.2	13.2
Vaccines	223	0.6	1.1	(0.7)	(3.6)	112.1	7.0

Source: AIOCD, HDFC sec Inst Research

Snapshot Of Product-wise Performance (BOOT)

Product	Therapy	Jan-19		Revenue			Volume		
		MAT (Rs mn)	Revenue Share (%)	Jan-19 Market Share (%)	Jan-19 YoY (%)	Jan-15 - Jan-19 CAGR (%)	Jan-19 Market Share (%)	Jan-19 YoY (%)	Jan-15 - Jan-19 CAGR (%)
Duphaston	Gynaecological	3,507	9.1	100.0	40.9	22.3	100.0	31.2	14.5
Thyronorm	Hormones	3,381	8.8	52.4	40.2	23.7	42.5	22.6	21.4
Udiliv	Gastro Intestinal	2,296	5.9	43.8	22.1	21.2	31.7	(17.2)	0.8
Cremaffin	Gastro Intestinal	1,786	4.6	89.6	12.5	17.8	83.3	5.7	8.5
Vertin	Neuro / CNS	1,645	4.3	65.4	12.4	14.9	47.2	(15.2)	(2.6)
Duphalac	Gastro Intestinal	1,533	4.0	49.2	19.7	10.8	46.8	17.9	3.6
Digene	Gastro Intestinal	824	2.1	87.1	(8.4)	4.8	93.0	(11.6)	(4.0)
Eptoin	Neuro / CNS	708	1.8	69.9	7.8	0.4	44.7	3.0	3.3
Prothiaden	Neuro / CNS	634	1.6	83.1	15.5	16.4	64.6	(5.6)	(1.6)
Creon	Gastro Intestinal	609	1.6	42.4	8.2	13.4	26.8	(4.0)	4.7
Zolfresh	Neuro / CNS	503	1.3	61.2	4.9	9.3	56.2	3.7	3.6

Source: AIOCD, HDFC sec Inst Research

BOOT is rank 1 in the insulins market in IPM

The distribution deal with Novo offers BOOT ~5% margin at the EBITDA level from the sale of Novo's products

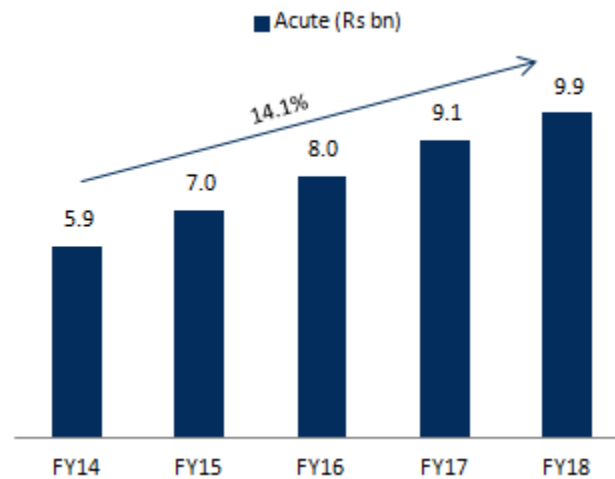
BOOT has grown at ~14% CAGR in both, acute as well as chronic therapies over the last 4 years

Product-wise Performance (Novo Nordisk)

Product	Therapy	Jan-19		Revenue			Volume		
		MAT (Rs mn)	Revenue Share (%)	Jan-19 Market Share (%)	Jan-19 YoY (%)	Jan-15 - Jan-19 CAGR (%)	Jan-19 Market Share (%)	Jan-19 YoY (%)	Jan-15 - Jan-19 CAGR (%)
Mixtard	Anti-Diabetic	5,326	13.8	19.0	7.4	2.9	22.6	(2.6)	1.8
Novomix	Anti-Diabetic	3,103	8.0	11.1	14.4	23.0	4.9	10.7	16.9
Ryzodeg	Anti-Diabetic	1,298	3.4	4.6	45.8	212.7	0.8	49.9	216.4
Actrapid	Anti-Diabetic	1,210	3.1	4.3	8.5	8.0	6.5	4.4	10.6
Novorapid	Anti-Diabetic	1,188	3.1	4.2	22.8	19.8	1.8	20.5	14.8
Tresiba	Anti-Diabetic	647	1.7	2.3	20.7	21.9	0.3	20.7	21.0

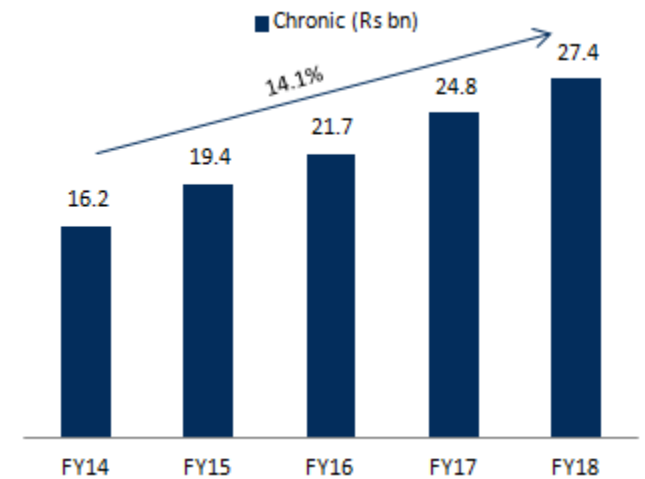
Source: AIOCD, HDFC sec Inst Research

Acute Therapy Growth For BOOT



Source: AIOCD, HDFC sec Inst Research

Chronic Therapy Growth For BOOT



Source: AIOCD, HDFC sec Inst Research

BOOT is the 2nd largest MNC in India and is the only one to have grown at double-digits over the last 4 years, among the bigger MNCs

While new launches by most MNCs are limited to the parent’s portfolio, BOOT has the freedom to innovate and launch distinct niche generics

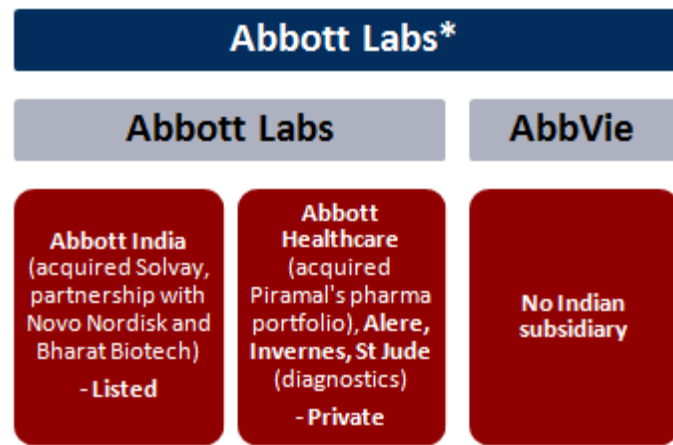
The parent company split into two entities – Abbott Labs and AbbVie Inc in 2013. Abbott Labs has 4 private subsidiaries in India in addition to the listed entity BOOT. AbbVie does not have any subsidiary in India

Best of both worlds (MNC + Gx)

- **The spin-off of Abbott (parent):** The erstwhile Abbott Labs, US was split into two entities – Abbott Labs and AbbVie Inc in 2013. Abbott India (BOOT) comes under Abbott Labs which has set its eyes on the medical devices market while providing freedom to the Indian entity to launch innovative, niche generic products.
- **Fastest growing MNC:** There are more than 40 MNCs in IPM. Abbott Healthcare is the largest entity, followed by Abbott India (BOOT). However, Abbott India has been the only listed MNC (with Rs 10bn+ revenues) which has grown at double-digits over the last 4 years. BOOT enjoys MNC brand and parentage, while also having the capability and independence to launch generic products in the Indian market.
- **Parent’s pharma pipeline:** AbbVie has retained innovative pipeline therapies like Immunology, Oncology, and Neuroscience. However, these are expensive therapies and may not find a significant market in India. Humira, peaked at US\$ 16bn revenues globally, was also not introduced in India, although other generic players have entered recently.

- Abbott India has a large section of the parent’s novel brands which have gone generic over a period, while Abbott Healthcare retains Piramal’s portfolio of generic products.
- **MNCs constrained by parent’s pipeline:** It has always been a constraint for other Indian MNCs like Pfizer, GSK and Sanofi to launch only parent’s products in India. So, the launches have also been far and few. Many a time, they have launched advanced versions of older products like inhalers and Insulin, resulting in cannibalization of existing brands. This has led to muted single-digit growth for these companies.
- **Consistent launches from Abbott India:** Abbott India (BOOT), however, doesn’t have any such constraints and has launched numerous niche generic products in India over the last five years. ***This sets the company apart from MNC peers and gives the freedom to make the most of high-growth and developing opportunities. The company has consistently clocked 10% plus revenue growth over the last 10 years.***

Abbott Spin-off



Source: Company, HDFC sec Inst Research; *Parent Co

Fastest Growing Listed MNC

No	Company	Revenue (Rs bn) FY18	3-Yr CAGR (%)
1	BOOT	33.1	16.1
2	Abbott HC Pvt	50.1	10.1
3	MSD Pvt CY18	11.3	9.1
4	Merck# CY17	8.5	8.9
5	Sanofi CY18	27.7	8.8
6	AstraZeneca	5.7	4.8
7	GSK Pharma	28.7	2.9
8	Pfizer#	19.7	2.0
9	Novartis#	5.6	(9.6)

Source: Company, HDFC sec Inst Research; *AIOCD, #Adj for M&A

The products highlighted in the accompanying tables are the ones that could be launched in India over the next ~5 years

In our study of the parents' pipeline of the major Indian MNCs, we find that BOOT has two products which could have a sizeable market in India

We believe oncology and rare diseases products will not be launched anytime soon in India since the cost of treatment for such products is exorbitant. India doesn't typically offer a market for these products

These products could be launched in India towards the expiry of their patents, if not post-expiration; in our view

Parent's pipeline

AbbVie (US)

No	Drug	Therapy	Stage
1	Veliparib	Oncology (Breast Cancer)	Phase III
2	Rova-T (ADC)	Oncology	Phase III
3	Depatuxizumab Mafodotin (ADC)	Oncology	Phase III
4	Upadacitinib	Immunology (Arthritis)	Filed
5	Risankizumab	Immunology (Arthritis)	Approved

Source: Company, HDFC sec Inst Research

Pfizer (US)

No	Drug	Therapy	Stage
1	Fidanacogene Elaparvovec (Biologic)	Rare Blood Disorders	Recently initiated Phase III
2	JAK1 Inhibitor	Immuno-inflammation	Phase III
3	JAK3 Inhibitor	Immuno-inflammation	Phase III
4	Rivipansel	Rare Diseases	Expect to file in CY19
5	Somatrogen (Biologic)	Rare Diseases	Phase III
6	Tanezumab (Biologic)	Oncology	Phase III
7	Tafamidis Meglumine	Rare Diseases	Filed
8	Talazoparib	Oncology	Approved
9	Dacomitinib	Oncology	Approved
10	Lorlatinib	Oncology	Approved
11	PF-06425090 (Vaccine)	Vaccines	Phase III
12	PF-06482077 (Vaccine)	Vaccines	Phase III
13	Aztreonam-Avibactam	Anti-Infective	Approved
14	Pneumococcal Conjugate Prophylactic Vaccine	Vaccines	Approved

Source: Company, HDFC sec Inst Research

GSK (UK)

No	Drug	Therapy	Stage
1	Niraparib	Rare Blood Disorders	Recently initiated Phase III
2	Dostarlimab	Immuno-inflammation	Phase III
3	Fostemsavir	Immuno-inflammation	Phase III
4	Cabotegravir+Rilpivirine	Rare Diseases	Expect to file in CY19
5	Cabotegravir	Rare Diseases	Phase III
6	Fluticasone Fuorate + Vilanterol + Umeclidinium	Oncology	Phase III
7	Daprodustat	Rare Diseases	Filed
8	Shingrix	Oncology	Approved
9	Dolutegravir+Lamivudine	Oncology	Approved

Source: Company, HDFC sec Inst Research

Sanofi (France)

No	Drug	Therapy	Stage
1	Isatuximab	Oncology	Filed
2	Venglustat	Rare Diseases	Phase III
3	Fitusiran	Rare Blood Disorders	Phase III
4	Sutimlimab	Rare Blood Disorders	Phase III
5	SAR341402 (Insulin)	Diabetes	Phase III
6	Efpeglenatide	Diabetes	Phase III
7	Cemiplimab	Oncology	Filed
8	Zynquista	Diabetes	Filed, but rejected

Source: Company, HDFC sec Inst Research

BOOT launched 66 new products over the last five years, with the highest concentration in the gastro and nutra therapies

Apart from line extensions in legacy brands, the company also launched unique products which belong to under-marketed and less competitive therapies. These include Pro-9, Cystofert, Cerebion, Snapit, Antoxipan, and Letrolife, among others

Its change in product selection strategy has also yielded better results, with 5 brands launched since FY15 having reached Rs 50mn+ revenues already, as compared to only one brand launched since FY11 to cross the mark

Consistent new product launches

- Over the last 5 years, BOOT has launched 65+ new brands, including 21 launches in FY18 alone. While a majority of these products have largely been focused towards the gastro and nutra therapies, others belong to entirely new areas for BOOT like vaccines and anti-infectives.
- Some of the reasonably large new brands launched since CY10 include Heptral (CY10), Enteroshield (CY15), Estrabet (CY16), Colospa X (CY16), Digene Fizz (CY14) and Combinorm (CY17), which now have annual sales of over Rs 60mn each.
- There have been very few successful launches over 2010-2014, as only two brands have crossed Rs 70mn in revenues. However, the last 5 years have seen a material change in product selection.
- Although a bulk of the recent launches (over the last 5 years) lies within the gastro therapy area, some of them are part of new chronic sub-therapies and are first-time introductions with under-penetrated markets.
- The company has also launched unique brands like Pro-9, Cystofert, Cerebion, Snapit, Antoxipan, and Letrolife. Most of these products and therapies are under-marketed and less competitive. We believe BOOT could realize their potential, supported by its robust brand building capabilities.
- BOOT has entered high growth sub-therapies like Rifaximin, and Probiotic Microbes. These come under GI, which is a strong suit for BOOT. These sub-therapies are large enough and are growing at double-digits YoY. If successful, BOOT can develop its products into Rs 700mn+ brands.
- BOOT has indicated that it will continue to be aggressive in new product launches over the next five years and aims to launch 100 more products. ***Till now, a large part of BOOT's growth has been driven by older products. However, with the recent ramp up in new product launches and entry into newer sub-therapies, we believe the company could further diversify its revenue mix and have lower dependence on matured therapies for future growth.***

Major New Entrants

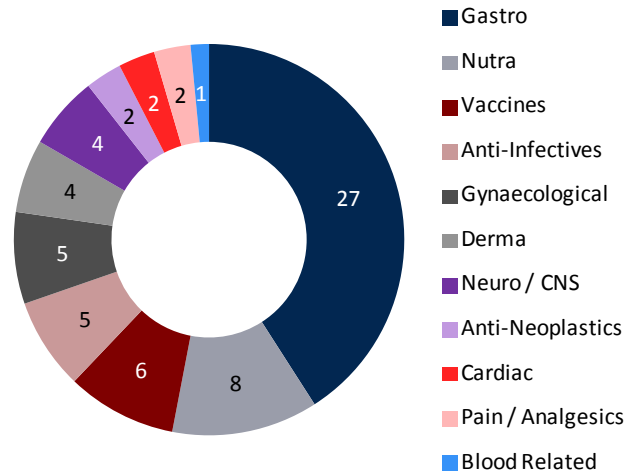
Brand	Chemical	Therapy	Launch Date	Jan-19 MAT (Rs mn)
Heptral	S-Adenosyl Methionine	Nutrients	Sep-10	122
Enteroshield	Combinations + Tetanus	Vaccines	Jun-15	121
Estrabet	Estradiol	Gynaecology	Jan-16	110
Colospa X	Mebeverine + Chlordiazepoxide	Gastro Intestinal	Apr-16	89
Digene Fizz	Herbal Preparations	Gastro Intestinal	Apr-14	75
Combinorm	Probiotic Microbes	Gastro Intestinal	Nov-17	63

Source: Company, AIOCD, HDFC sec Inst Research

Despite having most of the new launches within gastro and nutra, BOOT has also entered newer therapies. The most notable being vaccines, which is a lucrative therapy area and can drive margin expansion as the products ramp up

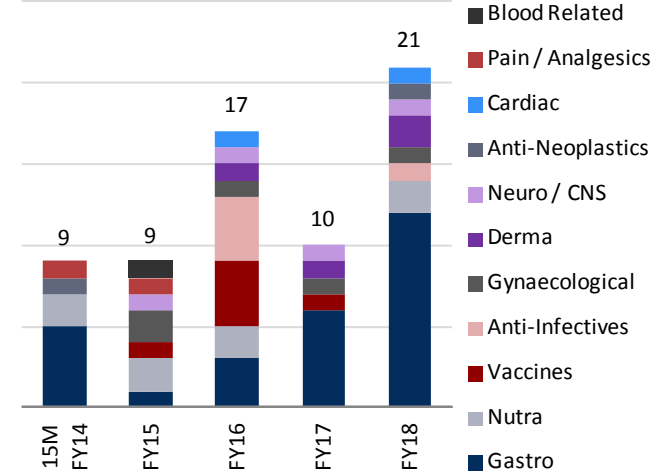
Over the last two years, BOOT has launched two products in completely new therapy areas within gastro and has also launched niche products in the therapy areas of hepatology, oncology, and gynaecology

Therapy-mix Of Launches Over The Last 5 Years



Source: Company, HDFC sec Inst Research

Launch Momentum



Source: Company, HDFC sec Inst Research

Notable Launches Over The Last Two Years

Brand	Molecule	Therapy	Market Size (Rs mn)	Growth YoY (%)
Actnew	Acotiamide	GI	450	Flat
Antoxipan	Multivitamin	Vitamin	250	40
Brufen Active	Ayurvedic	Derma	300	Flat
Cerebion	Cerebroprotein Hydrolysate	Neuro/CNS	650	Flat
Combinorm	Probiotic Microbes	GI	4,600	15
Confinex	Prucalopride	GI	550	New therapy
CremaPeg	Polyethelene	GI	500	25
Cystofert	Myo-Inositol + Folic Acid	GI	300	Flat
Dirifa	Rifaximin	GI	2,500	15+
Dufaximin	Rifaximin	GI	2,500	15+
Duphapro	Prucalopride	GI	550	New therapy
Gx 600Mg	Glutathione	Hepatology	400	10+
Letrolife	Letrozole	Anti-Neoplastics	800	30+
Pro-9	Hydroxyprogesterone	Gynaecology	900	20
Snapit	Sumatriptan + Naproxen	Neuro/CNS	150	20

Source: Company, AIOCD, HDFC sec Inst Research

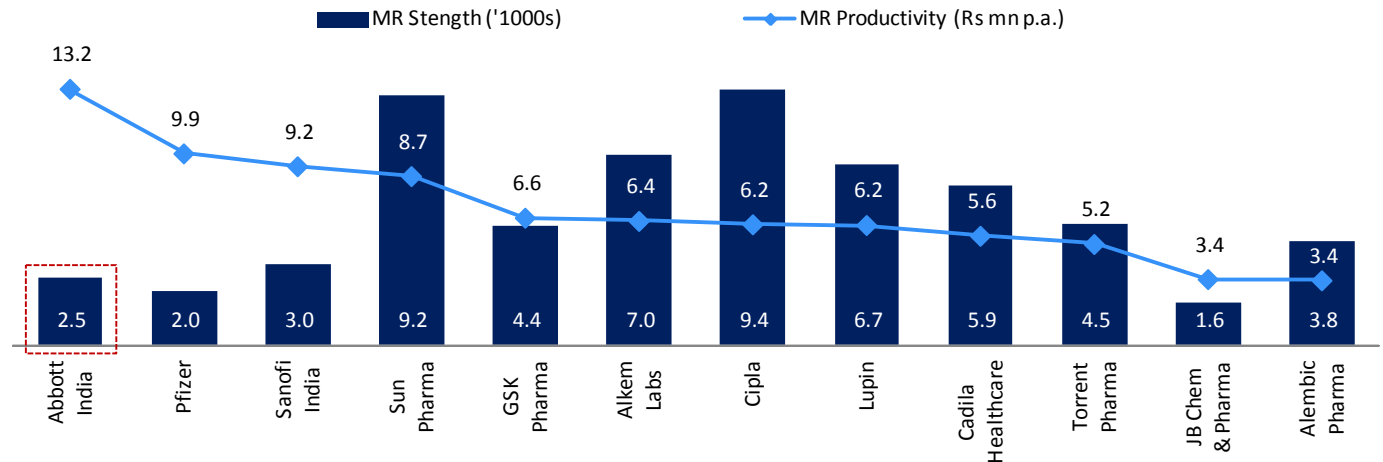
BOOT has the highest MR productivity among its peers, at Rs 13.2mn p.a. per MR

Brand building activities

- A robust distribution network, supported by a large field force:** BOOT also has a robust distribution network which enables the company to maintain its strong brand equity in the Indian market. Its distribution network consists of over 40 third-party

manufacturers, 25 carry and forwarding service providers, 3k stockists, and 175k retailers. Its MR strength stands at ~2,500 MRs, resulting in ~Rs 1.3mn MR productivity p.a. This is among the highest MR productivity in comparison to Indian peers.

Highest MR Productivity Among Indian & MNC Peers



Source: Company, HDFC sec Inst Research

BOOT follows aggressive marketing and brand-building activities for its key products, which enables healthy revenue growth

- Healthy marketing expenditure:** With ~Rs 900mn yearly opex on advertising and promotion, BOOT's marketing spend is among the highest in comparison to listed MNC peers. This expenditure is far from unjustified as the co has 36 brands in the rank 1 position, and ~74% of its products ranked as top 5, within their respective therapies.
- Several ongoing and successful campaigns:** BOOT has several successful campaigns which it uses to create

awareness as well as for brand-building. Some of its well-received campaigns include:

- Thyroweight:** Reached 12mn television viewers, 20k healthcare professionals, and 12mn twitter visitors.
- #ConstipationConversations:** Received 1.5mn Facebook impressions and 35mn Twitter impressions.

The MAI campaign achieved 51mn Twitter impressions and reached 4.6mn people

BOOT partnered with 500 key opinion leaders and assisted 540k patients through its GutFit campaign

Through its experiential marketing campaign for Duphaston, BOOT reached 30mn doctors and engaged with 60k physicians

Mothers Against Influenza



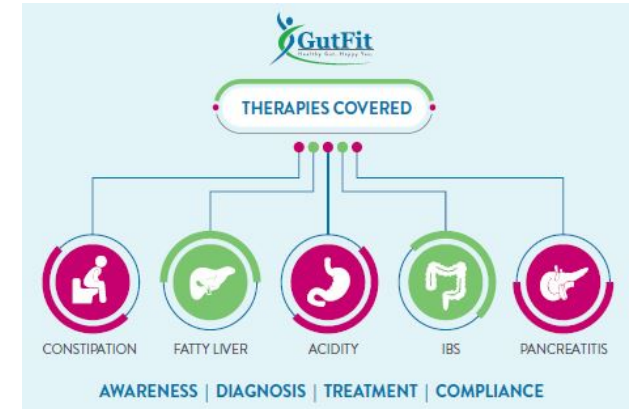
Source: Company, HDFC sec Inst Research

Vertin Head



Source: Company, HDFC sec Inst Research

GutFit



Source: Company, HDFC sec Inst Research

Duphaston VR Platform



Source: Company, HDFC sec Inst Research

Ongoing campaigns

Program	Target Therapy	Mode	Aim	Ambassador
GutFit	GI	An integrated lifestyle modification program	Awareness, diagnosis, treatment, compliance	
Thyroweight	Thyroid (Hormone)	Campaign	Awareness	Juhi Chawla, Actor
Mothers Against Influenza	Influenza (Vaccine)	Campaign	Awareness	Genelia D'Souza, Actor
Experiential Marketing For Duphaston	Duphaston (Gynaecology)	Gamification and VR experience zones at conferences	Brand building, awareness	
Vertin Head	Vertin (CNS)		Knowledge (doctors) & awareness	
Pancrecare	Pancreatic Exocrine Insufficiency	Mobile App	Counselling, management, support (doctors)	Vikas Khanna, Chef
#ConstipationConversations	Constipation (Gastro)	Print, digital, mobile, on ground, campaign	Awareness	Virender Sehwal, Sportsman

Source: Company, HDFC sec Inst Research

The company currently operates at optimum capacity utilization and is underway to bring all its tablet manufacturing in-house. This move could lead to further improvement in profitability

Manufacturing footprint in India

- BOOT has a formulations manufacturing facility in Goa, India. It manufactures key products like Udiliv, Cremaffin, Duphalac, Brufen, and Digene. This facility has a capacity of manufacturing 1.25bn tablets and 3,900kl of liquid formulations. As of FY18, BOOT employs 171 people at the facility. The plant operates at a 98% 'On Time In Full' measure, which indicates its high level of efficiency.
- Additionally, the company also sources products from 40+ local third-party manufacturers.
- BOOT has an ongoing project which would bring all tablet production in-house from third-party manufacturers. The company also constantly strives to improve operations and efficiency at the facility.
- Although BOOT is yet to provide a clear plan for this, we believe this will drive EBITDA margin in the future, with reduced dependence on outsourcing.

Goa Facility



Source: Company, HDFC sec Inst Research

Despite falling under NLEM, BOOT has managed to grow Thyronorm at ~24% CAGR, driven by volume growth

Excluding Thyronorm and Eptoin, the contribution of NLEM products would be limited to ~7% of total revenues

Negligible exposure to NLEM

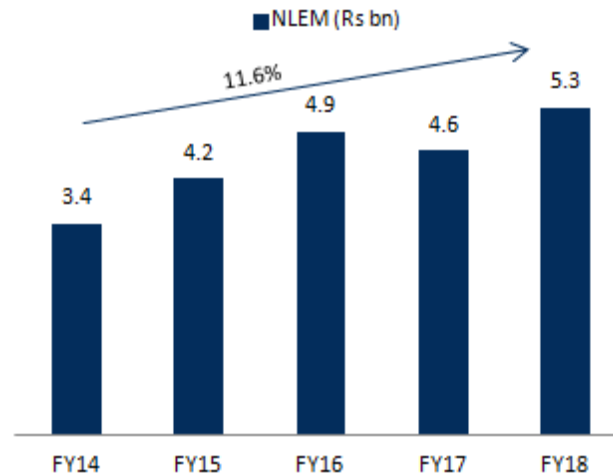
- BOOT has ~65 out of its 500+ products under the purview of NLEM, which generate 14-15% of total revenue. One of its largest brands, Thyronorm, is also on the list.
- Excluding Thyronorm and Eptoin, the contribution would be as low as 7% of revenues. BOOT has managed to grow Thyronorm at 23.7% CAGR over FY14-18, all driven by healthy growth in volumes. Overall, NLEM products have grown at ~12% CAGR over the last five years.

Key Brands Under NLEM:

Brand Name	Revenues (Rs mn)
Thyronorm	2,690
Actrapid	720
Eptoin	670
Zolfresh	480
Claribid	260
Inderal	170
Brufen	140
Cremadiet	80

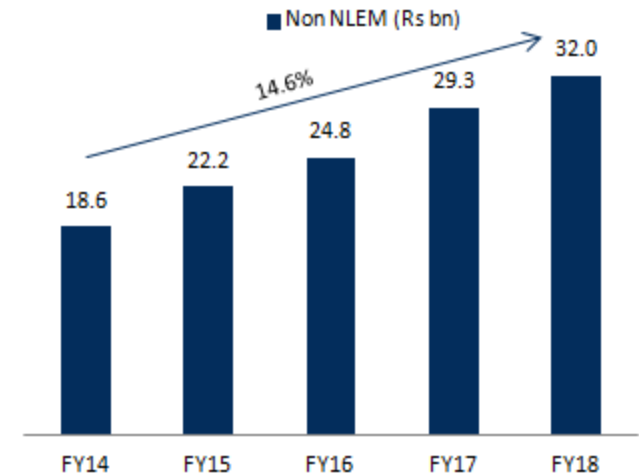
Source: AIOCD, HDFC sec Inst Research

NLEM Product Revenues



Source: AIOCD, HDFC sec Inst Research

Non-NLEM Product Revenues



Source: AIOCD, HDFC sec Inst Research

BOOT's sister company, Abbott Healthcare India, is an unlisted subsidiary of the parent Abbott Labs USA

Abbott HC has a strong presence in the nutra, cardiac, anti-infectives and respi therapy areas

In 2010, the company acquired Piramal Healthcare's pharma portfolio for a consideration of Rs 175bn

Abbott HC's revenue grew at ~10% CAGR over FY14-18 and follows a declining trend in revenue growth since FY15

Abbott HC has an elevated cost structure due to high marketing expenditure and significant fixed costs in amortization and interest costs

Abbott Healthcare (unlisted)

BOOT's sister company in the IPM

- Abbott Healthcare India, a private subsidiary of Abbott Labs USA, was incorporated in 1997 and has a strong presence in the nutra, cardiac, anti-infectives, and respi therapy areas. The company reported a 10% CAGR in revenue over FY14-FY18. Only 37% of Abbott HC's portfolio falls under industry-beating growth therapies, which is also reflected in the declining revenue growth trend. While Gross Margin at ~56% is largely at par with MNC peers including BOOT, GSK, Sanofi, and Pfizer; significantly higher opex results in a subdued EBITDA margin of ~10% (FY18), ~10% below peer-set average. The company has net debt of Rs 24.6bn, as of FY18.

Revenue and therapy

- Abbott HC generates Rs 50.1bn revenue (FY18) with an acute-heavy portfolio. The top 10 products contribute 27% to total revenue (Jan-19 MAT) and have reported 13/6% revenue/volume CAGR over the last 4 years. Top 5 products include blockbuster brands like Phensedyl, Similac, Stemetil, Kenacort, and Acitrom, which have sales of over Rs 1bn each. The company launched ~100 products over the last 3 years, with derma, respi and cardiac being the focus therapies.

~73% of COGS is the purchase of finished goods

- Purchase of finished goods accounts for as high as 73/32% of the company's COGS/revenue. For this reason, the gross margin comes in at ~56%. However, this is largely in-line with MNC peers.

Significantly higher opex

- While employee cost is largely in-line with MNC peers, Abbott HC spends significantly higher in other operating expenses, at ~27% of revenue as against an average of ~20% for the peer-set. Advertising (6.5% of revenue), travelling (4.7%), legal charges (3.6%) and rent & taxes (2.7%) account for 64% of other operating expenses (ex-Employee cost), which amounted to Rs 13.8bn in FY18. In comparison, BOOT's advertising spend is 2.8% of its revenue, and total other operating expenses amount to 14.4% of sales.
- Other operating expenses (as a percentage of total sales) being nearly 10-15% higher than other pharma MNCs is the key reason for Abbott Healthcare's subdued EBITDA margin.

Downfall in earnings

- Abbott HC acquired Piramal Healthcare's pharma business in 2010 for a consideration of Rs 175bn, which catapulted Abbott (group) to the top spot in the IPM. While revenue tripled YoY in CY10 post the acquisition, earnings took a nosedive owing to heavy incremental amortization led by the creation of Rs 49bn goodwill and recognition of patents worth Rs 121bn.
- Abbott HC was net cash until the period of 15MFY14, during which it undertook debt of Rs 26.5bn. The heavy interest cost of ~10% p.a. led to further stress on earnings.

Abbott HC has a more diversified portfolio as compared to BOOT, with the top 5 products contributing 66% to revenue as against 91% for BOOT

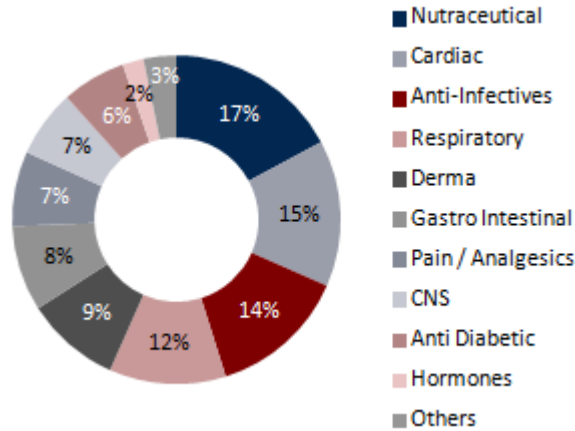
Its new launches have been focused towards derma, respi, cardiac and pain therapies

In terms of revenue, there is no material overlap in sub-therapies between Abbott HC and BOOT

Diversified therapy mix

- Abbott HC’s revenue mix is fairly diversified, with the top 5 therapies contributing only 66% to total revenue. Within this, the product-wise concentration is even lower, with top 10/20/50 products contributing 26.5/39.0/60.9% to total revenue.

Therapy Mix: Acute-Heavy

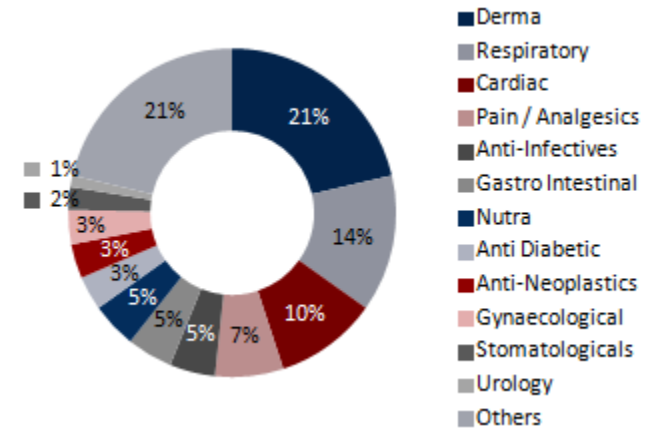


Source: AIOCD, HDFC sec Inst Research

Consistent new launches

- Abbott HC has launched close to 100 new products since Jun-17, which have collectively generated revenue of Rs 800mn as per Jan-19 MAT. 12 of these new brands have already reached 20mn+ annual revenue. The big brands within these include Similac IQ Plus, Hydent Pro, and Phensedyl T.

New Launches (Therapy-wise) Over The Last 5 Years



Source: AIOCD, HDFC sec Inst Research

Negligible therapy overlap

- Out of Abbott Group’s 500+ sub-therapies, only 33 are such in which both, Abbott HC and BOOT, are present. These account for Rs 13bn (16.3%) of aggregate revenues (Jan-19 MAT). However, most of these are dominated by only one of the two companies and there is very little overlap in revenue.

No Material Overlap In Therapies

Higher Prominence	No. of Molecules	BOOT Rev (Rs mn)	Abbott HC Rev (Rs mn)
BOOT	13	9,050	390
Abbott HC	12	120	3,120
Neutral	8	260	350
Total	33	9,430	3,860

Source: AIOCD, HDFC sec Inst Research

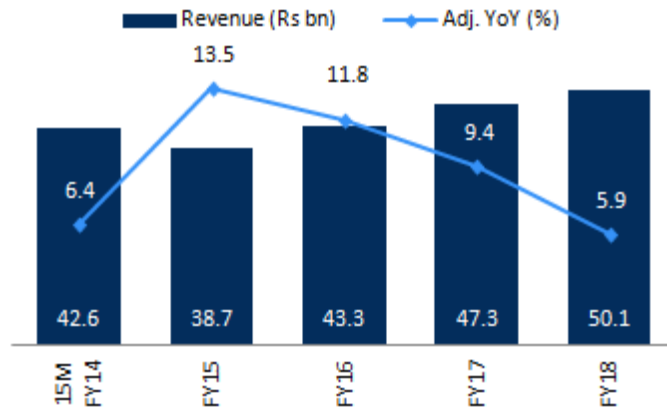
Revenue growth continues to decline

FY18 saw a recovery in EBITDA margin, largely driven by oplev and a ~100bps improvement in gross margin

FCF generation has been poor over the last few years

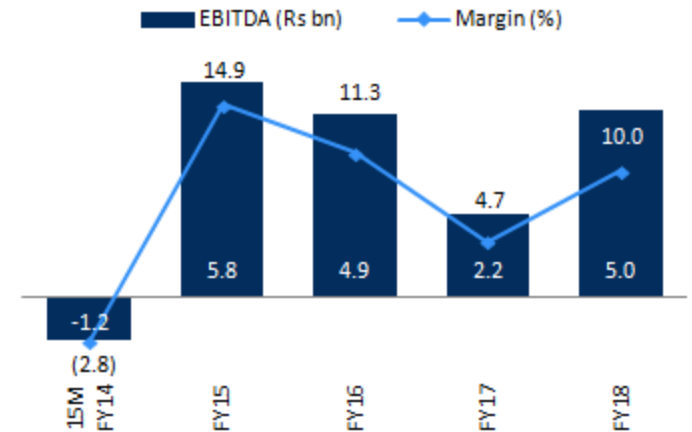
Abbott HC in charts

Declining Trend In Revenue Growth



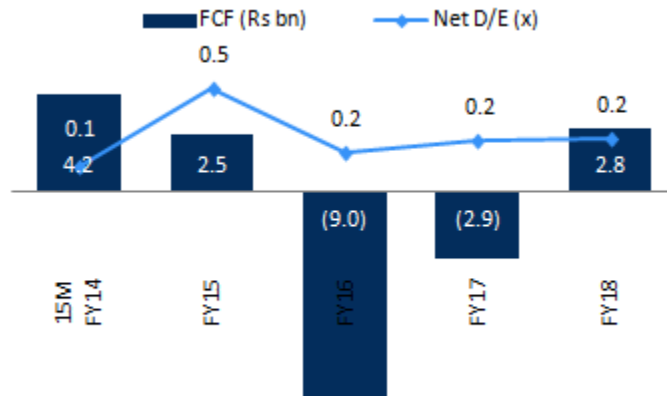
Source: Company, HDFC sec Inst Research

Recovery Seen In EBITDA Margin



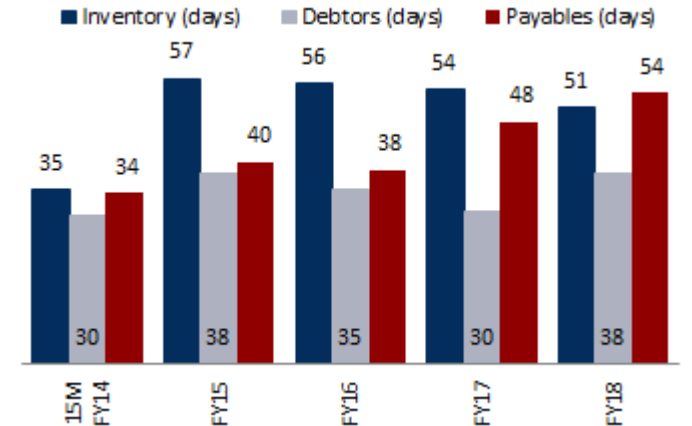
Source: Company, HDFC sec Inst Research

Poor Track Record Of FCF Generation



Source: Company, HDFC sec Inst Research

Improving Working Capital



Source: Company, HDFC sec Inst Research

Despite having 2 major brands under NLEM, BOOT has reported strong growth of 16% CAGR over FY14-18

With a healthy trajectory of new product launches and foray into the lucrative vaccines segment, we believe BOOT can easily achieve ~13% revenue CAGR over FY19-21E

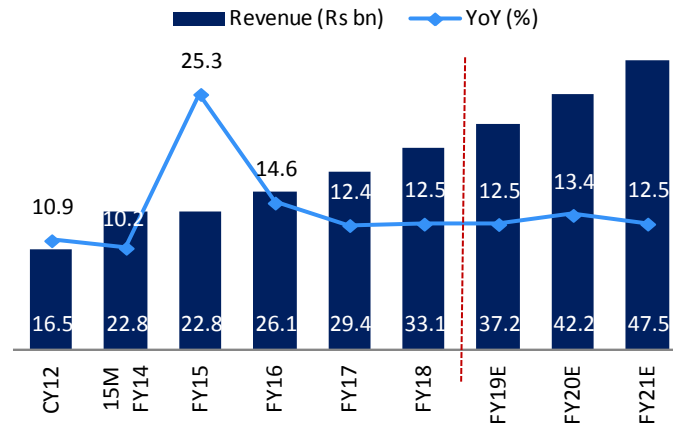
Gross margin to improve going ahead, driven by higher contribution from niche segments and increased in-house manufacturing

BOOT Financials

Healthy revenue growth

- Despite having 2 of its top 10 products – Thyronorm and Eptoin – under NLEM, BOOT has successfully managed double-digit top-line growth each year, registering a CAGR of 16% over FY14-18. This has been aided by a strong presence in growing chronic therapies like hormones and gynecology, and a healthy track record of new product launches (65+ over FY14-18).
- Going ahead, we expect BOOT to maintain its double-digit revenue growth trajectory as it has the freedom to innovate autonomously, and doesn't rely solely on the parent's pipeline. The co plans to launch 100+ products over the next 5 years and has already entered into the lucrative vaccines segment. Select price hikes could further boost growth.

Steady Double-digit Growth Maintained



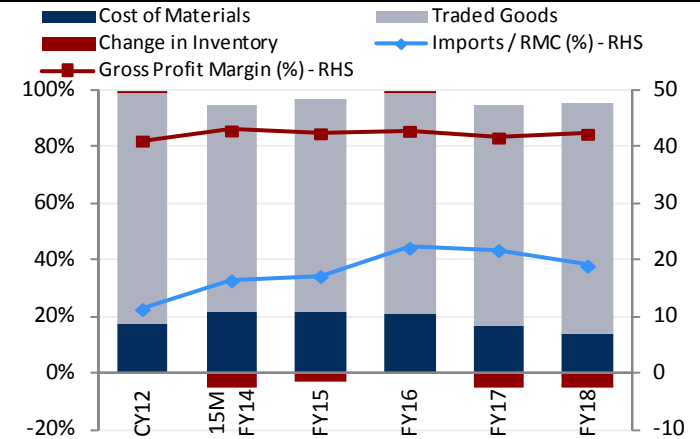
Source: Company, HDFC sec Inst Research; *Annualized growth

Sub-par gross margin

- Around 90% of raw material cost is comprised of traded goods, owing to heavy outsourcing and the

Novo distribution deal. Additionally, imports make up ~20% of its raw material cost. For these reasons, gross margin has been restricted within 42-43%, 15-20% lower than MNC peers.

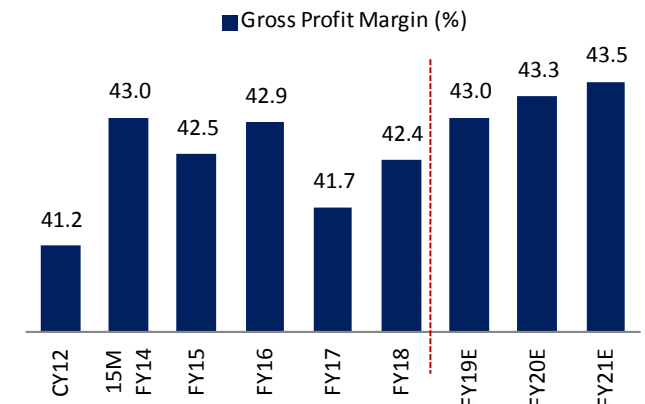
Gross Margin Has Remained Within 42-43%



Source: Company, HDFC sec Inst Research

- Further, the gross margin has increased to 43% in FY19E (up ~60bps YoY) owing to select price hikes. We expect gross margin to expand ~50bps by FY21E as the contribution of Novo to total sales reduces, and BOOT gains traction in the vaccines segment.

Gross Margin Has Remained Within 42-43%



Source: Company, HDFC sec Inst Research

BOOT does not pay any royalties to the parent company, despite using its brand name and also consistently launching new products from the parent's portfolio

BOOT's EBITDA margin expanded ~250bps YoY in FY18 owing to improved mix and price hikes, as well as GST benefits

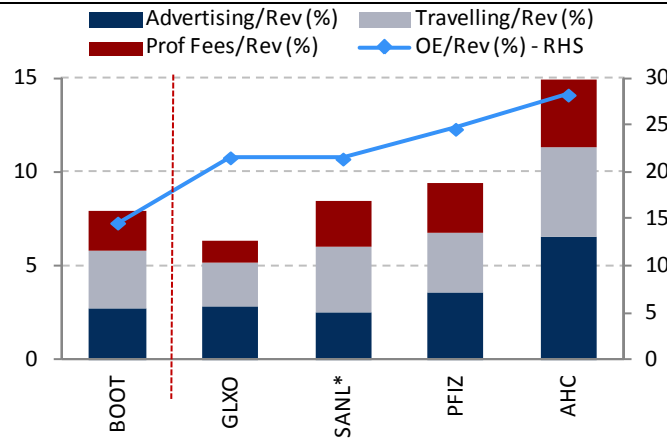
We expect margins to expand ~60bps over FY19-21E aided by oplev, and a ~50bps improvement in gross margin

Adjusted for the Novo deal, the base business margins are ~6% higher than reported numbers

Opex in-line with peers

- Besides employee cost (12% of sales in FY18), the most significant operating expenses for BOOT include advertising (3%), travelling (3%), and professional fees (2%). Collectively, the three amount to 8% of BOOT's revenue. While this is largely at par with MNC peers, Abbott HC's spend on these three heads is much higher (15% of revenue).

Opex To Sales (FY18)

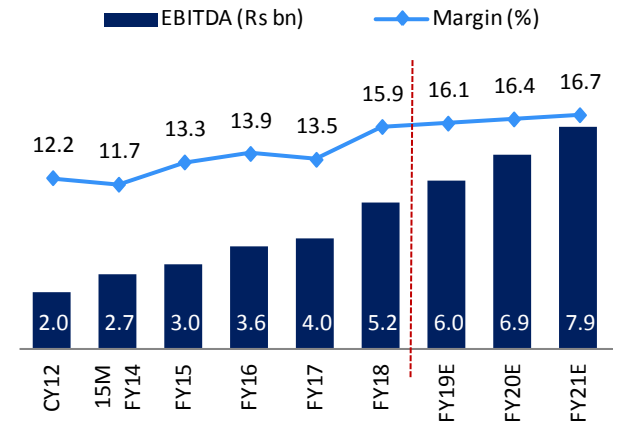


Source: Company, HDFC sec Inst Research; *CY18

EBITDA margin expansion

- BOOT's EBITDA margin expanded nearly 250bps YoY to 15.9% in FY18, which has further increased to 16.3% in 9MFY19. The jump in FY18 was led by:
 - A ~70bps expansion in gross margin owing to improved business mix and select price hikes.
 - GST benefits which led to a significant reduction in excise duty from 1.2-1.3% of sales earlier, to 0.3% of sales now.
 - Operating leverage led by healthy top-line growth of 12.5% YoY.

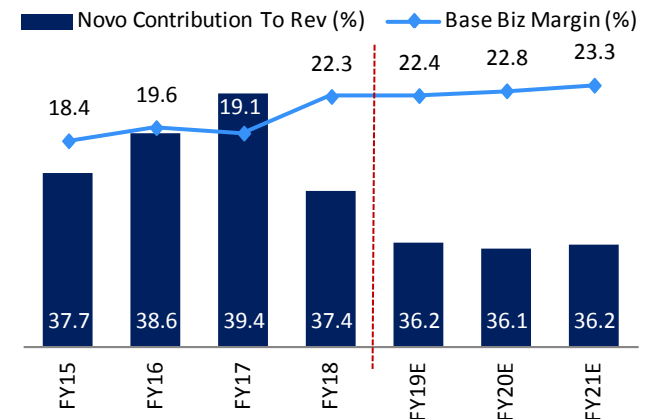
Expect ~100bps Margin Expansion Over FY19-21E



Source: Company, HDFC sec Inst Research

- EBITDA margin has expanded ~20bps YoY to 16.1% in FY19E. We believe better mix and select price hikes can enable a ~60bps expansion over FY19-21E.
- Adjusted for the low-margin (~5%) deal with Novo, the base business margin is much stronger at ~22% (FY18). This presents a strong case for likely margin expansion over time, as Novo's contribution declines further (down 320bps to 36% over FY17-19E).

Base Biz Margins Are ~6% Higher Than Reported



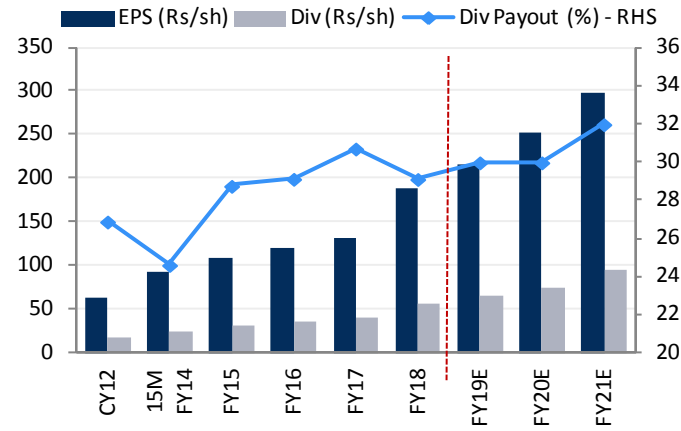
Source: Company, HDFC sec Inst Research

We expect a ~18% CAGR in EPS over FY19-21E, which would enable higher dividends to shareholders

Owing to a high amount of outsourcing, BOOT has maintained a strong Fixed Asset Turnover rate. With plans to bring all tablet manufacturing in-house, fixed asset turns could slightly reduce over the near-term

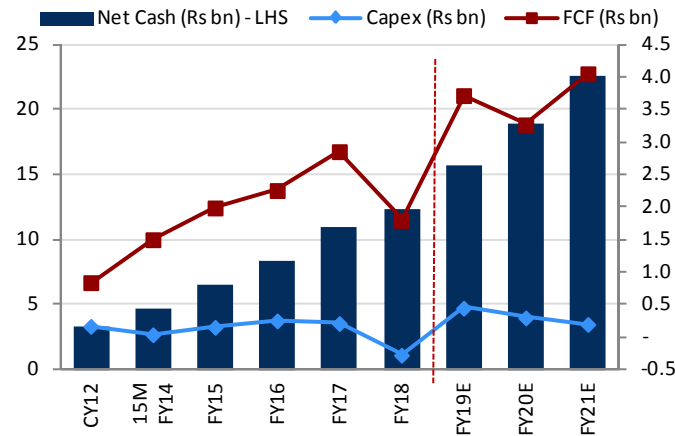
With ~Rs 13bn cash on books and the ability to generate ~Rs 3bn+ FCF annually, BOOT maintains a strong balance sheet

Expect ~18% EPS CAGR Over FY19-21E



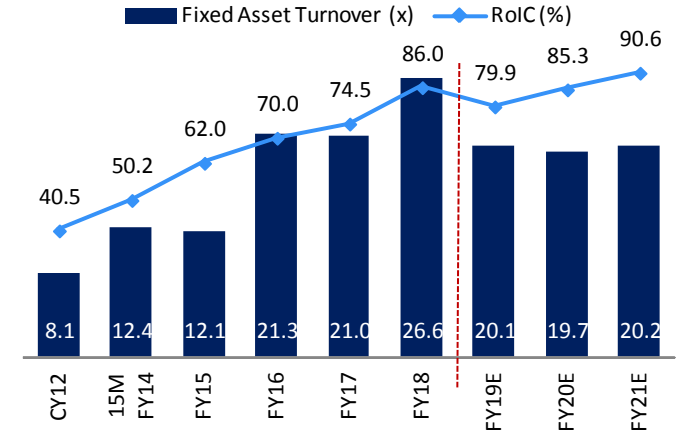
Source: Company, HDFC sec Inst Research

Healthy FCF Generation With Limited Capex Needs



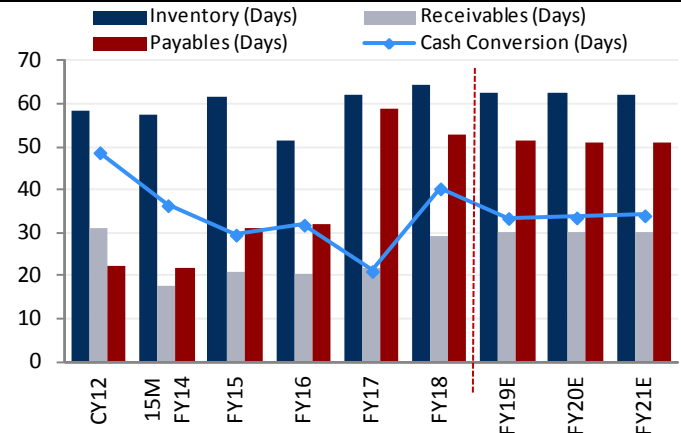
Source: Company, HDFC sec Inst Research

Outsourcing Drives Fixed Asset Turnover



Source: Company, HDFC sec Inst Research

Working Capital Remains Largely Steady



Source: Company, HDFC sec Inst Research

A glance at the trailing 6 quarters

Quarterly Financial Snapshot

Particulars (Rs mn)	9MFY19	9MFY18	YoY (%)	3QFY19	YoY (%)	QoQ (%)	2QFY19	1QFY19	4QFY18	3QFY18	2QFY18
Net Sales	27,723	25,186	10.1	9,477	7.5	(3.3)	9,797	8,449	7,884	8,815	9,310
Material Expenses	15,844	14,729	7.6	5,486	6.9	(2.0)	5,599	4,759	4,319	5,133	5,216
Employee Expenses	3,262	2,860	14.1	1,063	16.7	1.1	1,052	1,147	1,077	911	983
Other Operating Expenses	4,098	3,334	22.9	1,462	28.6	21.2	1,207	1,429	1,422	1,137	1,098
EBITDA	4,519	4,263	6.0	1,465	(10.3)	(24.5)	1,940	1,114	1,066	1,633	2,013
Depreciation	120	122	(1.8)	40	(6.2)	(2.5)	41	40	40	42	40
EBIT	4,398	4,141	6.2	1,425	(10.4)	(25.0)	1,900	1,074	1,027	1,591	1,973
Other Income	839	500		376			245	218	586	190	151
Interest Cost	15	16		4			5	6	22	5	6
PBT	5,223	4,625	12.9	1,797	1.2	(16.0)	2,140	1,286	1,591	1,776	2,118
Tax	1,851	1,613		627			763	462	590	622	743
PAT	3,371	3,012	11.9	1,171	1.4	(15.0)	1,377	824	1,001	1,154	1,375
EPS (Rs/sh)	159	142	11.9	55	1.4	(15.0)	65	39	47	54	65

Source: Company, HDFC sec Inst Research

Margin Analysis

	9MFY19	9MFY18	YoY (bps)	3QFY19	YoY (bps)	QoQ (bps)	2QFY19	1QFY19	4QFY18	3QFY18	2QFY18
Material Expenses % Net Sales	57.2	58.5	(133)	57.9	(34)	75	57.1	56.3	54.8	58.2	56.0
Employee Expenses % Net Sales	11.8	11.4	41	11.2	88	48	10.7	13.6	13.7	10.3	10.6
Other Expenses % Net Sales	14.8	13.2	155	15.4	253	311	12.3	16.9	18.0	12.9	11.8
EBITDA Margin (%)	16.3	16.9	(63)	15.5	(307)	(434)	19.8	13.2	13.5	18.5	21.6
Tax Rate (%)	35.4	34.9	57	34.9	(16)	(78)	35.7	35.9	37.1	35.0	35.1
PAT Margin (%)	12.2	12.0	20	12.4	(74)	(170)	14.1	9.8	12.7	13.1	14.8

Source: Company, HDFC sec Inst Research

BOOT achieved a ~10% YoY growth in revenue over 9MFY19

We expect 4QFY19E to post healthy double-digit growth on a low base

Gross margin has improved 133bps YoY over 9MFY19, aided by improved mix and select price hikes

Notably, marketing spend has also increased over the period

BOOT has already reported an EPS of Rs 159 over 9MFY19. We believe the co could comfortably achieve our est of ~Rs 190/sh for the full year

We have not directly interacted with the management, but have attempted to gather insights that can be useful for investors, which are detailed in this profile note

BOOT trades at a ~15% discount to MNC peer average, which is unjustifiable in our view

We believe its strong earnings CAGR (18% over FY19-21E), significantly higher RoICs and a large domestic presence in growing therapies command a higher multiple and will drive re-rating

BOOT's historical average is ~30x one-year forward P/E

Valuation

At CMP, BOOT is trading at 30x FY20E and 25x FY21E EPS, a ~15% discount to MNC peer average, which is unjustified in our view. We argue for P/E re-rating for BOOT owing to:

- A large domestic presence which deserves a higher multiple on account of a high-growth portfolio, independence to launch generic products, strong brand and steady cash flows.
- Strong EPS outlook - 18% CAGR backed by ~13% revenue CAGR.
- Significantly higher RoICs at 79% (FY19E) v/s MNC peers at 36-56%.
- Higher annual FCF generation at Rs 2.5bn vs Rs 1.6bn for MNC peers for the last four years.

While we don't actively cover BOOT, a fair value of Rs 8,950 is apparent to us. We arrive at our FV with a multiple of 30x on BOOT's FY21E EPS, in-line with its 5-year historical P/E average.

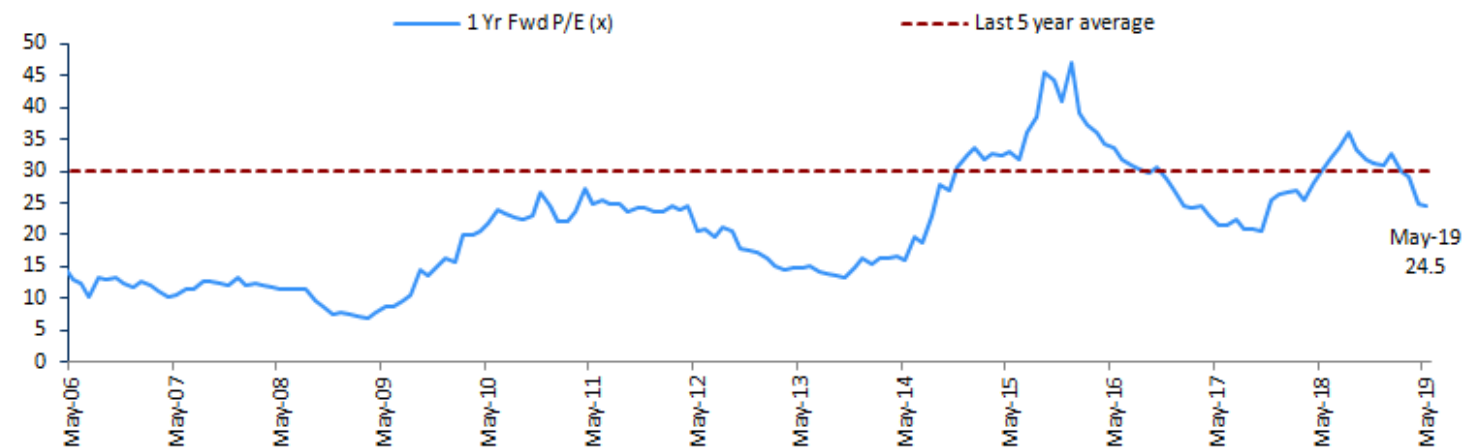
Key catalysts:

- Price hikes in non-NLEM products
- In-licensing opportunities

Risks to our thesis:

- More products in NLEM list
- Incremental competition in existing products like Thyronorm and Duphaston.

BOOT P/E Band: Trading At A ~17% Discount To Historical Avg



Source: Company, HDFC sec Inst Research

BOOT is currently trading at a ~13% discount to MNC peers, at 25x FY21E EPS

Peer Set Comparison

	Market cap (Rs bn)	Revenues FY19E (Rs bn)	EPS CAGR (FY19-21E)	ROIC FY19E (%)	P/E (x)		
					FY19E	FY20E	FY21E
Indian Peers					24.3	20.1	15.8
Torrent Pharma	279	78	35.0	13.0	36.0	26.7	19.7
Alkem Laboratories	202	72	26.8	17.4	26.7	20.9	16.6
Alembic Pharma	100	39	10.6	19.3	20.5	21.0	16.7
J B Chemicals & Pharmaceuticals	27	16	19.0	15.9	14.1	11.8	10.0
MNCs					39.1	33.3	28.6
GSK Pharma	217	32	19.3	56.3	53.9	42.7	37.1
Abbott India	157	37	17.7	79.9	34.4	29.5	24.8
Pfizer	140	21	11.1	46.6	35.5	32.1	28.8
Sanofi India	124	28	17.4	36.1	32.6	28.9	23.6
Large Caps					29.4	21.5	16.7
Sun Pharma	981	293	33.5	13.1	26.8	19.8	15.0
Dr Reddy's Labs	456	154	18.4	11.6	26.2	21.8	18.7
Cipla	438	159	30.4	7.2	32.4	25.8	19.0
Aurobindo Pharma	393	193	12.3	16.3	15.9	12.4	12.6
Lupin	341	167	60.1	3.8	45.8	27.6	17.9

Source: Company, Bloomberg, HDFC Sec Inst Research

Valuation Matrix

	Mcap (Rs bn)	CMP (Rs/sh)	Reco	TP/FV	Adj EPS (Rs/sh)				P/E (x)				RoE (%)			
					FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E
Sun Pharma	981	409	BUY	640	13.0	15.3	20.7	27.2	31.5	26.8	19.8	15.0	8.3	9.3	11.7	13.7
Dr Reddy's Labs	456	2,745	BUY	3,320	59.2	104.9	125.8	147.0	46.4	26.2	21.8	18.7	7.8	13.1	13.9	14.1
Cipla	438	544	BUY	630	18.6	16.8	21.1	28.6	29.3	32.4	25.8	19.0	11.2	9.1	10.6	12.9
Divi's Labs	433	1,633	SELL	1,445	32.4	52.4	56.8	65.7	50.4	31.2	28.8	24.9	15.2	21.6	20.2	20.4
Aurobindo Pharma	393	670	NEU	800	41.4	42.2	54.1	53.2	16.2	15.9	12.4	12.6	23.0	19.2	20.4	16.8
Lupin	341	753	BUY	930	38.2	16.4	27.3	42.1	19.7	45.8	27.6	17.9	12.8	5.4	8.7	12.3
Torrent Pharma	279	1,648	BUY	2,000	40.1	45.8	61.8	83.5	41.1	36.0	26.7	19.7	15.1	15.8	18.6	21.5
Cadila Healthcare	256	250	NEU	315	13.0	11.0	13.2	17.7	19.2	22.7	18.9	14.1	17.0	11.9	12.6	14.9
Alkem Laboratories	202	1,692	BUY	2,240	57.6	63.4	80.9	101.9	29.4	26.7	20.9	16.6	14.8	14.7	16.6	18.3
Glenmark	164	581	BUY	835	17.5	27.0	33.9	43.7	33.3	21.5	17.1	13.3	9.4	12.7	14.0	15.7
Abbott India	157	7,402	NR	8,950	188.8	215.4	251.2	298.3	39.2	34.4	29.5	24.8	26.1	24.7	24.3	24.4
Alembic Pharma	100	528	NEU	570	21.9	25.8	25.1	31.6	24.1	20.5	21.0	16.7	20.0	19.7	16.4	18.1
Jubilant Life Sciences	95	596	BUY	915	45.5	53.8	60.2	76.2	13.1	11.1	9.9	7.8	19.3	19.3	18.3	19.6
Laurus Labs	40	373	BUY	535	15.8	10.7	17.0	29.4	23.6	34.9	21.9	12.7	11.9	6.2	10.8	16.7
Strides Pharma	37	414	BUY	570	13.2	6.9	29.3	35.7	31.5	60.2	14.1	11.6	2.9	2.3	9.5	10.7
Dishman Carbogen Amcis	33	205	BUY	400	13.2	16.7	20.5	26.5	15.5	12.2	10.0	7.7	14.6	15.4	15.7	17.2
Suven Life Sciences	32	255	NR	465	9.7	5.6	9.8	11.3	26.2	45.7	26.0	22.7	17.2	8.9	14.2	14.5
Granules India	27	106	BUY	170	5.2	9.3	11.4	13.9	20.3	11.4	9.3	7.6	12.0	16.7	17.5	18.5
J B Chemicals & Pharmaceuticals	27	335	NR	470	16.6	23.8	28.4	33.6	20.2	14.1	11.8	10.0	9.9	13.2	14.8	15.4
Neuland Labs	9	669	BUY	920	10.8	12.8	32.1	65.8	61.9	52.2	20.9	10.2	2.2	2.6	5.7	10.9

Source: Company, HDFC sec Inst Research

Key management

Name	Designation	Education	Brief
Munir Shaikh	Chairman	Fellow of the Institute of Chartered Accountants in England and Wales	Mr Shaikh joined Abbott in 1968 and has held several managerial positions across geographies. He was named VP and Regional Director, SE Asia / Subcontinent – Korea in 2003 and appointed Divisional VP, SE Asia / Middle East / Africa, Abbott Nutrition in June 2005 based in Singapore.
Ambati Venu	CEO, Managing Director	MBA - IIM Ahmedabad; BE – University of Bhopal	Mr Ambati has over 24 years of experience with GSK Consumer in various leadership positions across the Indian sub-continent, Middle East, North Africa and Asia. His last role till September 2015 was Regional Vice President & General Manager – Asia, GSK Consumer.
Krishna Mohan Sahni	Independent Director	M.Sc. (Economics) – London School of Economics; BA, MA – St Stephens, Delhi University	Mr Sahni is a former IAS Officer from the 1969 Batch of the Union Territories cadre. He is currently a Non-Official Independent Director of Omnibus Industrial Development Corporation, Power Finance Corporation, and National Multi Commodity Exchange of India.
Rajiv Sonalker	CFO, Whole-Time Director	Fellow member of the Institute of Chartered Accountants of India	Mr Sonalker has over 28 years of experience in the Pharma, FMCG and Engineering Sectors. Prior to joining Abbott India, he worked with Bristol-Myers Squibb as Finance Director, Voltas, J&J, Sanofi – Aventis in India and Germany.
Anisha Motwani	Independent Director	MBA – University of Rajasthan; B.Sc. – Sophia College	Ms Motwani is a Brand and Innovation expert with over 28 years' experience in Marketing across diverse industries. In her last executive role, she was the Chief Marketing & Digital Officer of Max Life Insurance. She is the Founder and Partner at 'Storm The Norm' an innovation company. She is also an Advisor to World Bank and the Max Group.
Prakash Maheshwari	Commercial Director – WH, GI	MBA – IMS Indore; M Pharma – SGSITS	Mr Prakash joined Abbott in September, 2009 as Group Product Manager and transitioned through multiple roles to Commercial Director – Gastroenterology and Women's Health in November, 2018. He has over 17 years of experience in sales and marketing in companies such as USV Limited, Ranbaxy and Panacea Biotec.

Source: Company, HDFC sec Inst Research

Financial statements

Income Statement (Standalone)

Year ending March (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Net Revenues	29,387	33,071	37,205	42,189	47,481
Growth (%)	12.4	12.5	12.5	13.4	12.5
Material Expenses	17,121	19,047	21,207	23,921	26,827
Employee Expenses	3,453	3,937	4,353	4,852	5,365
Other Operating Expenses	4,840	4,842	5,655	6,497	7,360
EBITDA	3,973	5,245	5,990	6,919	7,929
EBITDA Margin (%)	13.5	15.9	16.1	16.4	16.7
EBITDA Growth (%)	9.0	32.0	14.2	15.5	14.6
Depreciation	164	162	162	170	180
EBIT	3,809	5,083	5,828	6,749	7,750
Other Income (Including EO Items)	576	1,170	1,250	1,500	1,750
Interest	20	38	35	38	40
PBT	4,365	6,215	7,043	8,211	9,460
Tax (Incl Deferred)	1,598	2,203	2,465	2,874	3,122
PAT	2,766	4,012	4,578	5,337	6,338
PAT Growth (%)	8.4	45.0	14.1	16.6	18.7
EPS (Rs)	130.2	188.8	215.4	251.2	298.3

Source: Company, HDFC sec Inst Research

Balance Sheet (Standalone)

As at March (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
SOURCES OF FUNDS					
Share Capital - Equity	212	212	212	212	212
Reserves	13,657	16,715	19,920	23,656	27,966
Total Shareholders' Funds	13,869	16,928	20,132	23,868	28,178
Long Term Debt	-	-	-	-	-
Short Term Debt	-	-	-	-	-
Total Debt	-	-	-	-	-
Net Deferred Taxes	-	-	-	-	-
Long Term Provisions & Others	472	553	553	553	553
TOTAL SOURCES OF FUNDS	14,342	17,481	20,686	24,422	28,731
APPLICATION OF FUNDS					
Net Block	1,096	814	1,256	1,386	1,407
CWIP	63	22	22	22	22
Investments	-	-	-	-	-
LT Loans & Advances	445	526	125	125	125
Net Deferred Taxes	124	146	146	146	146
Total Non-current Assets	1,728	1,507	1,549	1,679	1,699
Inventories	5,006	5,853	6,391	7,209	8,085
Debtors	1,762	2,634	3,058	3,468	3,903
Other Current Assets	1,252	1,854	1,324	1,378	1,481
Cash & Equivalents	10,909	12,314	15,722	18,854	22,592
Total Current Assets	18,930	22,655	26,495	30,908	36,061
Creditors	4,747	4,806	5,229	5,898	6,615
Other Current Liabilities & Provns	1,569	1,875	2,129	2,266	2,413
Total Current Liabilities	6,316	6,681	7,358	8,165	9,028
Net Current Assets	12,614	15,974	19,137	22,743	27,033
TOTAL APPLICATION OF FUNDS	14,342	17,481	20,686	24,422	28,732

Source: Company, HDFC sec Inst Research

Cash Flow (Standalone)

Year ending March (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Reported PBT	4,365	6,215	7,043	8,211	9,460
Non-operating & EO items	(555)	(969)	(1,250)	(1,500)	(1,750)
Interest expenses	20	38	35	38	40
Depreciation	164	162	162	170	180
Working Capital Change	665	(1,870)	646	(474)	(551)
Tax Paid	(1,588)	(2,049)	(2,465)	(2,874)	(3,122)
OPERATING CASH FLOW (a)	3,072	1,527	4,171	3,571	4,257
Capex	(214)	273	(450)	(300)	(200)
<i>Free cash flow (FCF)</i>	<i>2,859</i>	<i>1,800</i>	<i>3,721</i>	<i>3,271</i>	<i>4,057</i>
Investments	(1,894)	(3,051)	-	-	-
Non-operating Income	553	630	1,250	1,500	1,750
INVESTING CASH FLOW (b)	(1,554)	(2,148)	800	1,200	1,550
Debt Issuance/(Repaid)	-	-	-	-	-
Interest Expenses	(2)	(1)	(35)	(38)	(40)
<i>FCFE</i>	<i>2,856</i>	<i>1,799</i>	<i>3,686</i>	<i>3,233</i>	<i>4,017</i>
Share Capital Issuance	-	-	-	-	-
Dividend	(895)	(1,023)	(1,373)	(1,601)	(2,028)
Others	-	-	-	-	-
FINANCING CASH FLOW (c)	(898)	(1,024)	(1,408)	(1,639)	(2,068)
NET CASH FLOW (a+b+c)	620	(1,646)	3,563	3,131	3,739
Cash Equivalents (at YE)	8,887	11,937	-	-	-
Closing Cash & Equivalents	10,909	12,314	15,722	18,854	22,592

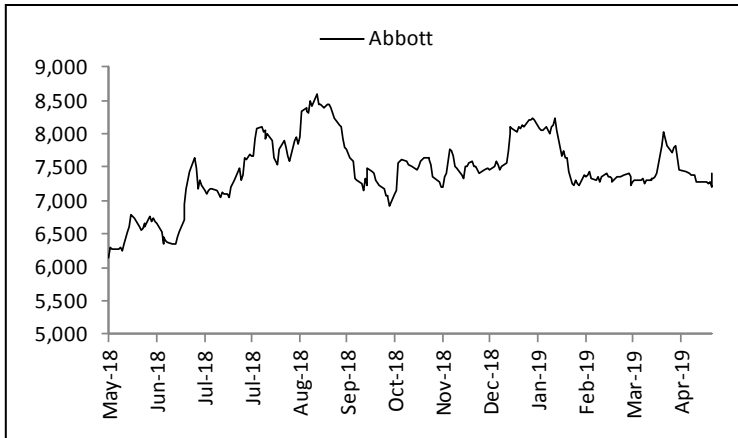
Source: Company, HDFC sec Inst Research

Key Ratios

	FY17	FY18	FY19E	FY20E	FY21E
PROFITABILITY (%)					
GPM	41.7	42.4	43.0	43.3	43.5
EBITDA Margin	13.5	15.9	16.1	16.4	16.7
APAT Margin	9.4	12.1	12.3	12.7	13.3
RoE	21.4	26.1	24.7	24.3	24.4
RoIC (or Core RoCE)	74.5	86.0	79.9	85.3	90.6
RoCE	20.8	25.4	24.1	23.8	23.9
EFFICIENCY					
Tax Rate (%)	36.6	35.4	35.0	35.0	33.0
Fixed Asset Turnover (x)	21.0	26.6	20.1	19.7	20.2
<i>Inventory (days)</i>	<i>62.2</i>	<i>64.6</i>	<i>62.7</i>	<i>62.4</i>	<i>62.2</i>
<i>Debtors (days)</i>	<i>21.9</i>	<i>29.1</i>	<i>30.0</i>	<i>30.0</i>	<i>30.0</i>
<i>Other Current Assets (days)</i>	<i>15.6</i>	<i>20.5</i>	<i>13.0</i>	<i>11.9</i>	<i>11.4</i>
<i>Payables (days)</i>	<i>59.0</i>	<i>53.0</i>	<i>51.3</i>	<i>51.0</i>	<i>50.9</i>
<i>Other Current Liab & Provns (days)</i>	<i>19.5</i>	<i>20.7</i>	<i>20.9</i>	<i>19.6</i>	<i>18.6</i>
Cash Conversion Cycle (days)	21.2	40.4	33.5	33.7	34.1
Debt/EBITDA (x)	-	-	-	-	-
Net D/E (x)	(0.8)	(0.7)	(0.8)	(0.8)	(0.8)
Interest Coverage (x)	187.0	133.0	166.5	177.6	193.7
PER SHARE DATA (Rs)					
EPS	130.2	188.8	215.4	251.2	298.3
Dividend	40.0	55.0	64.6	75.4	95.4
Book Value	652.7	796.6	947.4	1,123.2	1,326.1
VALUATION					
P/E (x)	56.9	39.2	34.4	29.5	24.8
P/BV (x)	11.3	9.3	7.8	6.6	5.6
EV/EBITDA (x)	36.8	27.6	23.6	20.0	17.0
EV/Revenues (x)	5.0	4.4	3.8	3.3	2.8
OCF/EV (%)	2.1	1.1	2.9	2.6	3.2
FCF/EV (%)	2.0	1.2	2.6	2.4	3.0
FCFE/Mkt Cap (%)	1.8	1.1	2.3	2.1	2.6
Dividend Yield (%)	0.5	0.7	0.9	1.0	1.3

Source: Company, HDFC sec Inst Research

1YR PRICE MOVEMENT



Rating Definitions

- BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period
- NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
- SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

INSTITUTIONAL RESEARCH
Disclosure:

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