

CMP: INR 627

Rating: HOLD

Target Price: INR 678

Stock Info

BSE	532321
NSE	CADILAHC
Bloomberg	CDH:IN
Reuters	CADI.BO
Sector	PHARMACEUTICALS
Face Value (INR)	1
Equity Capital (INR cr)	102
Mkt Cap (INR cr)	64158
52w H/L (INR)	674 / 333
Avg Yearly Volumel (in 000')	5502

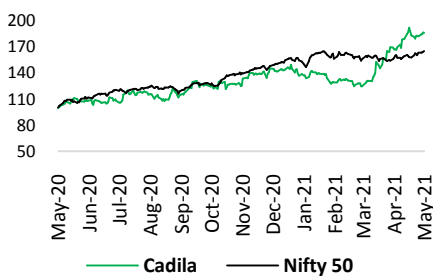
Shareholding Pattern %

(As on March, 2021)

Promoters	74.88
FII	5.23
DII	11.49
Public & Others	8.40

Stock Performance (%)	3m	6m	12m
Cadila	44.0	39.3	85.7
Nifty 50	5.6	18.3	64.7

Cadila Vs Nifty



Abhishek Jain

abhishek.jain@arihantcapital.com
022 67114872

Akshaya Shinde

akshaya.shinde@arihantcapital.com
022 67114834

Cadila Healthcare operates as an integrated pharmaceutical company with business encompassing the value chain in the research, development, production, marketing and distribution of pharmaceutical products. The growth in FY21 of the company is mainly driven by strong performance of India business and innovated product portfolio. Cadila's Q4FY21 revenue grew by 3% YoY to INR 3847 crs. The EBITDA margin of the company increased by 115bps YoY to 22.2% mainly due to better gross margins and reduced other expenses. The net profit for the quarter grew by 77% YoY and stood at INR 732 crs backed by recognition of deferred tax asset and MAT credits of earlier years.

Investment Rationales

- US Business: Company has highest number of ANDA approvals and strong pipeline of complex generics including injectable, orphan and specialty drugs addressing market size of ~\$119bn. Plans to file ~40 ANDA and 1 NDA per year over the next 3 years and Spends 7-8% of revenues in R&D. Company has a portfolio of 21 biosimilar molecules with a focus of marketing in emerging markets and India. During the year company has launched 30 products and targeting to launch ~40 products in coming year. Company expects normalization in the US market conditions on the back of fastest vaccine drive in the world.
- In domestic market Cadila is fourth largest company accounting for 4.2% market share with 12 brands featuring within top-300 brands. Company ranks among the top 3 companies in respiratory, pain, gynaecology, nephrology and oncology segments and increased consumption will lead to growth of the business.
- Consumer Business segment contribute around 12% of total revenue. Its previous brands are matured and growing slow and steady in the market. Zydus then acquire 4 products from Heinz (Glucon-D, Complian, Nycil, Sampri Ghee) in 2018 which bolstered its revenue from the division. Company's Animal health business is also growing well and contributing 4% of total revenue but recently company has entered in to agreement of sale of its animal health business operations.
- Company has also built its expertise over a period in vaccine manufacturing. At present, company has more than 12 vaccines in its product basket and company has also developed India's first indigenously developed DNA vaccine candidate against COVID-19. The vaccine is approved by DCGI for the conduct of Phase III clinical trial and now in the final stage of approval in India. The DNA platform is known to have better vaccine stability and lower cold chain requirements, which would make it easier to store and transport to remote parts of the country. Company has large manufacturing facilities and expected to start its commercialization by end of June 2021. Company will be producing 1 crs of dosages per month and also planning partnership to produce 2.5 to 3 crs monthly dosages to reduce the burden of the country in Pandemic.

Outlook & Valuations: Cadila is the 2nd fastest growing company in India. Company's respiratory portfolio is improving and also gaining good share in pain management segment. Its specialty portfolio and human healthcare business is also doing well. We believe company's strong product pipeline of complex generics and injectable portfolio as well as its progress in Covid vaccine and other phase wise clinical trials will help company to garner increased traction in revenue from FY22/FY23 onwards. At CMP we maintain our positive view on the stock. Stock is currently trading at 30x/28x its FY22E/23E earnings (EPS INR 20.6/FY22E, INR 22.6/FY23E). We recommend HOLD rating on the stock with a target price of INR 678 at 30x FY23E EPS.

INR in Cr	FY19	FY20	FY21	FY22E*	FY23E*
Revenue	13,165	14,253	15,102	16,323	17,688
EBITDA	2,973	2,783	3,341	3,553	3,848
EBITDA margin(%)	22.6%	19.5%	22.1%	21.8%	21.8%
PAT	1,851	1,176	2,138	2,721	2,946
PATM (%)	14.1%	8.2%	14.2%	16.7%	16.7%
EPS (in INR)	18.1	11.5	20.8	20.6	22.6
PE(x)	11.5	18.1	30.1	30.5	27.8

Source: Company, Arihant Research

*Bloomberg Estimates

Conference Call Highlights

- In the critical and challenging Covid-19 environment company continues to focus on its smooth operations and supply chain security. Company is also contributing in expanding its range of wellness products in the global market at the most affordable price to fight against the Covid-19 pandemic.
- During the year company has registered a revenue growth of 6% YoY, mainly due to enhanced performance of innovated product portfolio. On the back of better product mix and lower costs Company's EBITDA margins have also improved for the year.
- Despite challenging situation India business has witnessed strong growth across all the segment and posted 18% YoY growth at INR 1772 crs in FY21. Human health formulations business grew by 15% and Consumer wellness business grew by 22% on a YoY basis during the quarter.
- The IPM has shown sign of sustained growth in Q4FY21 while business performance of India market has also improved in H2FY21, largely driven by volume growth due to increased consumption.
- In case of Animal Health business Zydus has entered in to agreement to sale its operations business and transaction is expected to complete in next ninety days.
- Revenues from US formulations business has recorded lower growth during the quarter mainly due to low uptick in volumes, lower market share loss of Asacol HD and other specialty products and price erosion due to increased competition. Company soon expects normalization in the situation on account of higher vaccination in the US.
- Company has launched 30 products in the US in FY21 and has also targeting for more than 35 product launches in FY22. The Company filed 22 additional ANDAs and received 35 ANDAs approvals during the year, taking the total to 317 product approvals.
- Company is working on two vaccines to provide alternative option in this pandemic situation. ZyCoV-D a DNA vaccine is in the final stage of approval in the India for which company has conducted trial on 60 sides with different age group from 12 years and above.
- Company has developed large scale manufacturing plant and it will commercialise by end of June 2021. The company launched Virafin (Pegylated Interferon alpha-2b (PegIFN) to treat moderate infection in adult COVID-19 patients during the quarter. Company is also seeking for various approvals from countries to conduct the global trials.
- On Biosimilar front, company has launched its first product in Russia with local partner which opens a door for CIS region approvals in the future. As a part of global Biosimilar, two products have been selected by company on oncology side and it is focusing on its co-development and partnership for US and UK market.
- Company is expected to launch two new product for complex generics which will be in-licensing for 180 days exclusivity.
- Company is more focused on its systematic product expansion in India and regulated market with Pain, CNS, Orphan drug and pediatric being a next opportunity area however, Covid related product portfolio is doing well but it looks like a short term opportunity for the company.

Quarterly Result

INR in Cr.	Q4FY21	Q3FY21	Q4FY20	YoY	QoQ
Total Revenue	3847	3796	3752	3%	1%
Cost of Raw Material Consumed	1029	1086	1034	0%	-5%
Purchases of stock-in-trade	402	332	334	20%	21%
Change in inventories	-87	-124	-108	-19%	-30%
COGS	1344	1294	1260	7%	4%
Gross Profit	2503	2502	2492	0%	0%
Gross Profit (%)	65.1%	65.9%	66.4%	-137	-86
Employee Cost	621	629	604	3%	-1%
Other Expenses	1027	1067	1097	-6%	-4%
EBITDA	855	807	791	8%	6%
EBITDA Margin (%)	22.2%	21.3%	21.1%	115	98
Other Income	-40	28	44	-191%	-247%
Depreciation	189	180	179	6%	5%
EBIT	626	654	657	-5%	-4%
Finance Cost	23	27	83	-72%	-13%
EBT and exceptional	603	627	575	5%	-4%
Exceptional items	73.1	0	53	39%	-
PBT	530	627	522	2%	-15%
Tax Expense	-202	115	109	-	-
Effective tax rate %	-33.4%	18.3%	18.9%	-5231	-5171
PAT	732	513	414	77%	43%
PAT margin (%)	19.0%	13.5%	11.0%	800	552
Share of Profit of JV	3.8	15.5	0.2	1800%	-75%
Non controlling	56.4	0.8	21.8	159%	6950%
Net profit for the period/ year	679	527	392	73%	29%
EPS (INR)	6.6	5.2	3.8	73%	29%

Financial Performance

Exhibit 1: Revenue trend

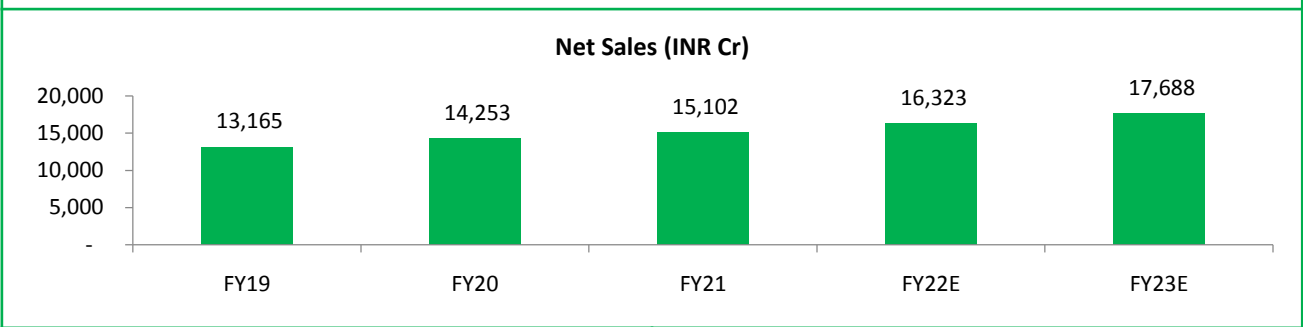


Exhibit 2: EBITDA Trend

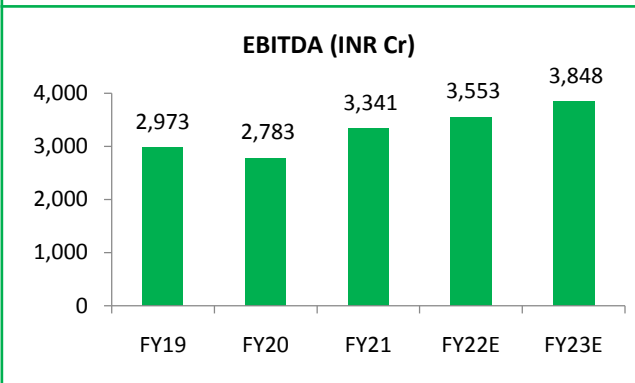


Exhibit 3: PAT trend

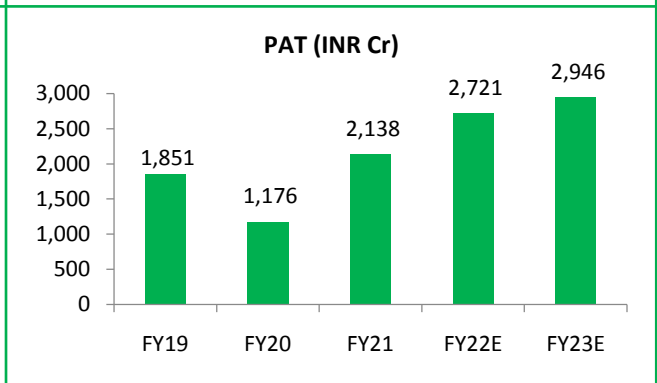


Exhibit 4: EBITDA Margin Trend

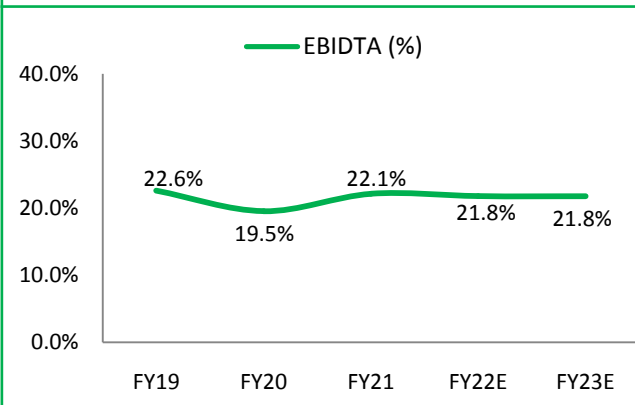


Exhibit 5: PAT Margin trend

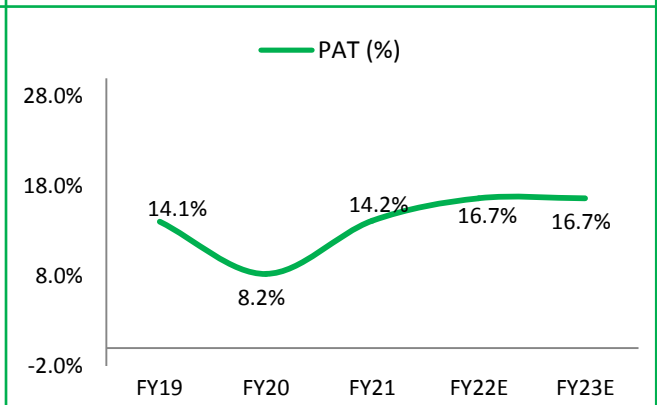


Exhibit 6: EPS Trend

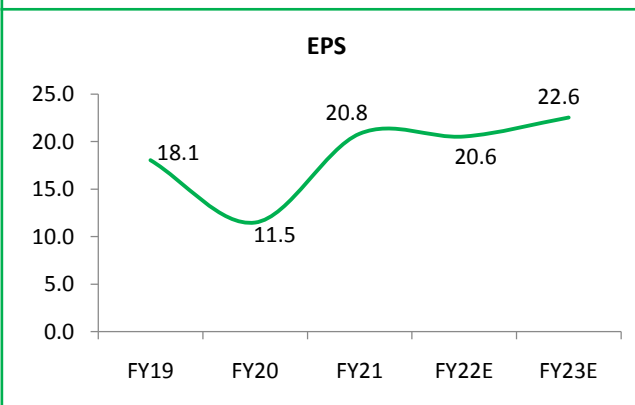
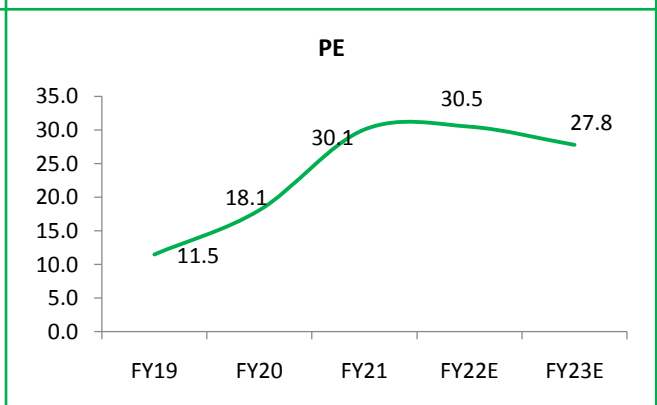


Exhibit 7: PE Trend



Source: Company, Arianth Research

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

Disclaimer: This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880