

Cadila Healthcare Ltd. ₹ 2003**Foc-US-sed!****Accumulate**

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Company Background

Cadila Healthcare Ltd. (Cadila) is a fully integrated, global healthcare provider, with strengths all along the pharmaceutical value chain. Cadila provides total healthcare solutions ranging from formulations, active pharmaceutical ingredients and animal healthcare products to wellness products. Recently, the group launched Exemptia, the world's first biosimilar for the largest selling therapy worldwide for inflammatory arthritis. Cadila is also the only Indian pharma company to launch its own patented NCE – Lipaglyn, the world's first drug to be approved for the treatment of diabetic dyslipidemia. The group's origin can be traced to 1952 when it was founded by Late Mr. Ramanbhai B. Patel, one of the stalwarts of the Indian Pharmaceutical Industry. In 1995, the group restructured its operations and Cadila Healthcare came into being under the aegis of the Zydus group. From a turnover of Rs. 250 crores in 1995, it reached over Rs. 8600 Cr in FY15. It aims to be a leading global healthcare provider with a robust product pipeline and be a research-based pharmaceutical company by 2020.

Key Highlights

- ➔ Cadila's US Sale crossed 500 mn\$, in sales for the first time and became the largest contributor to the consolidated topline. The company has also focussed on growth in the area and had filed 38 ANDAs with the USFDA in FY15, taking the cumulative ANDA filings to 260. It also launched 9 new products in the US market. Further both the API manufacturing facilities at Ankleshwar and Dabhasa successfully completed audits by the USFDA.
- ➔ The Company Launched Exemptia, the world's first biosimilar of Adalimumab to be approved anywhere in the world to treat inflammatory arthritis. It has also completed global clinical trials for one more biosimilars for launching the same in the developed markets.
- ➔ Cadila also managed to retain leadership positions in the Cardiology, Gynaecology and Respiratory therapy areas while in the Gastro Intestinal and the Dermatological space, ranked amongst the top five companies in the Indian market. It has launched over 55 new products including line extensions in India, of which 19 were first in India.

Key Financials

Year Ended 31 st	Mar 12	Mar 13	Mar 14
Revenue (INR mn)	33,929.0	37,350.0	45,570.0
Rev. growth (%)	12.8	10.1	22.0
EBITDA (INR mn)	9,180.0	7,614.0	11,710.0
Net profit (INR mn)	6,575.0	4,986.0	9,036.0
Shares outstanding (mn)	204.8	204.8	204.8
EPS (INR)	32.1	24.4	44.1
EPS growth (%)	301.4	(24.2)	81.2
P/E (x)	23.7	30.4	23.3
RONW (%)	28.2	18.2	27.1
ROCE (%)	20.2	11.7	17.9

Nishant Chopra

nishantc@indiratrade.com

Info Codes

Reuters	: CADI.BO
Bloomberg	: CDH@IN
NSE	: CADILAH
BSE	: 532321

Market Data

52 Wk Range (₹)	: 1048 / 2045
Shares in Issue (mn)	: 204.8
Mkt. Cap (₹ bn)	: 406.02
BSE 2 Wk Avg Vol	: 6918

Share Holding Pattern (%)

Promoters	: 74.79
FII's	: 7.03
DII's	: 8.01
Others	: 10.17

Investment Theme

From just being a domestic company in the Indian Pharma Industry, Cadila has grown leaps and bounds in the last 20 years. Cadila has slowly & steadily focussed itself into nearly all verticals of the pharma value chain. Starting from Wellness in the form of Sugar substitutes to Oncology products it has a significant stake in nearly all segments of Medicine. Its recent focus seems to be on the US markets more. It has achieved its target of getting the major part of its Topline from the US. It has been continuous in regulatory filings of ANDAs and DMF's with the USFDA. Both its plants are now USFDA audited. It has been amongst fore-runners of Research in Biosimilars a segment which has a scope to be one of the most lucrative ones in the Regulated Markets. Having all this its Domestic performance also seems to be impressive enough.

Everything from Prevention to Cure

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 12	Mar 13	% Chg	Mar 14	% Chg
Total Sales + Excise	27474.0	30943.0	12.63	36916.0	19.30
Other Income	6856.0	6997.0	2.06	9250.0	32.20
Change in Stocks	571.0	93.0	(83.71)	353.0	279.57
Raw Material Con.	6448.0	7621.0	18.19	8895.0	16.72
Employee Exp.	3833.0	4628.0	20.74	5681.0	22.75
Indirect Taxes	431.0	640.0	48.49	646.0	0.94
Other Exp.	15009.0	17530.0	16.80	19587.0	11.73
Operating Exp.	25150.0	30326.0	20.58	34456.0	13.62
Operating Profit	2324.0	617.0	(73.45)	2460.0	298.70
Total Interest	1357.0	1110.0	(18.20)	746.0	(32.79)
Gross Profit	7823.0	6504.0	(16.86)	10964.0	68.57
Net Dep.	1119.0	1201.0	7.33	1300.0	8.24
Total Taxation	129.0	317.0	145.74	628.0	98.11
Net Profit/Loss	6575.0	4986.0	(24.17)	9036.0	81.23

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 11	Mar 12	Mar 13	Mar 14
SOURCES OF FUNDS	26,539.0	38,416.0	46,970.0	52,161.0
Equity Share capital	1,024.0	1,024.0	1,024.0	1,024.0
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	19,875.0	24,547.0	28,091.0	35,275.0
Long Term Loans	5,143.0	8,731.0	9,341.0	9,786.0
Short Term Loans	497.0	4,114.0	8,514.0	6,076.0
USES OF FUNDS	26,539.0	38,416.0	46,970.0	52,161.0
Gross Block	17,325.0	20,162.0	25,110.0	26,837.0
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	6,959.0	7,985.0	10,139.0	11,196.0
Net Block	10,366.0	12,177.0	14,971.0	15,641.0
Capital Work in Progress	2,337.0	3,117.0	4,638.0	5,306.0
Investments	6,988.0	12,122.0	12,799.0	15,577.0
Current Assets	16,654.0	22,054.0	25,708.0	28,489.0
Less : Current Liabilities	9,806.0	11,054.0	11,146.0	12,852.0
Total Net Current Assets	6,848.0	11,000.0	14,562.0	15,637.0
Misc. Expenses not writtenoff	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	6,464.0	11,598.0	12,098.0	14,418.0
Mkt Val. Quoted Investments	16,546.0	10,588.0	12,549.0	14,858.0
Contingent Liabilities	6,024.0	12,335.0	12,228.0	12,421.0
Dividend (%)	125	150	150	180

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 14	Sep 14	Dec 14	Mar 15
Net Sales	11127.9	12528.1	14648.8	14539.5
Cost Of Sales	8489.4	9288.8	9815.1	9909.9
Operating Profit	2638.5	3239.3	4833.7	4629.6
Recurring Income	163.4	1437.9	101.8	149.0
Adjusted PBDIT	2801.9	4677.2	4935.5	4778.6
Financial Expenses	82.5	102.3	105.0	138.6
Depreciation	529.5	522.4	512.7	553.9
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	2189.9	4052.5	4317.8	4086.1
Tax Charges	217.0	396.4	706.2	615.5
Adjusted PAT	1972.9	3656.1	3611.6	3470.6
Non Recurring Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	1972.9	3656.1	3611.6	3470.6

52 Week Index Relative Percentage Appreciation



Cadila vs SENSEX

Risks Associated

- The Company has operations in more than 15 countries around the world. Each such country poses its own challenges in terms of the economic and political conditions of that country. Any adverse political and/or economic development in these countries may affect the business of the Company in those countries.
- The Company is present in the generics segment of pharmaceutical markets in different countries. The generics market is characterized by the presence of a large number of players who compete with each other continuously to increase their respective market shares. This competition puts constant pressure on the prices which the Company charges to its customers. Apart from this, the governments of different countries apply periodic price cuts on the pharmaceutical products so as to keep the healthcare cost under control.
- Stringent regulations and quality standards are prescribed by the regulatory authorities across the globe for the pharmaceutical products and their manufacturing and supply chain processes in order to protect the interests of the patients. Any deviation from the prescribed regulations or any variation in the quality from the prescribed standards may lead to punitive actions by the regulatory authorities.
- Competitors and innovator pharmaceutical companies holding patents for products and processes may sue the Company if the Company's products or processes are claimed to be infringing upon their intellectual property rights.

In a Nutshell

Cadila caters to nearly everything in the whole Pharma space. It has a leadership positions in the Cardiology, Gynaecology and Respiratory therapy areas while in the Gastro Intestinal and the Dermatological space, ranked amongst the top five companies in the Indian market. The company is on a whizzbound to capture its worthy share in the regulatory market and while retaining focus on the US market in major has also rationalised its product portfolio in Europe. It is also on its target of being a Research Oriented company and has completed Phase III clinical trials for one of the monoclonal antibodies (mAb). and completed global clinical trials for one of the biosimilars for launching the same in the developed markets. The development of ten different vaccines has also reached the last stage of testing before the marketing authorization. In the Emerging markets it has launched 20 new products in the different markets of Asia Pacific, Africa and Middle East in FY15. It has also very well understood the potential of the wellness segment and has recently completed a major revamp of the entire distribution model which encompassed consolidating the number of distributors and replacing the Company sales representatives with distributor representatives who are managed by a team of the Company's sales supervisors. It has wellness products like Sugar Free, which is India's leading sugar substitute, which commands a dominant position and a 93% market share. The EverYuth range is also continues thrust on new product launches with the launch of several variants in the existing categories. We therefore feel there is a good scope ahead for the company.

Indira Group Offices

Registered Office : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007
Tel : 022-66224202 **Fax** : 022-66224201 **Email** : im@indiratrade.com

Administrative Office : 204-205 "Amardarshan" 28/2 Old Palasia, Indore (MP) 452018
Tel : 0731-4097170 **Fax** : 0731-4215999 **Email** : customercare@indiratrade.com

Institutional Dealing Unit : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007
Tel : 022-66224209 **Fax** : 022-66224201 **Email** : ie@indiratrade.com

Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months	Reduce : Expected to depreciate up to 10% over 12-months
Accumulate : Expected to appreciate 10% to 20% over 12-months	Sell : Expected to depreciate 10% or more over 12-months
Trade Buy : Expected to appreciate more than 10% over 45-days	Trade Sell : Expected to depreciate more than 10% over 45-days

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