

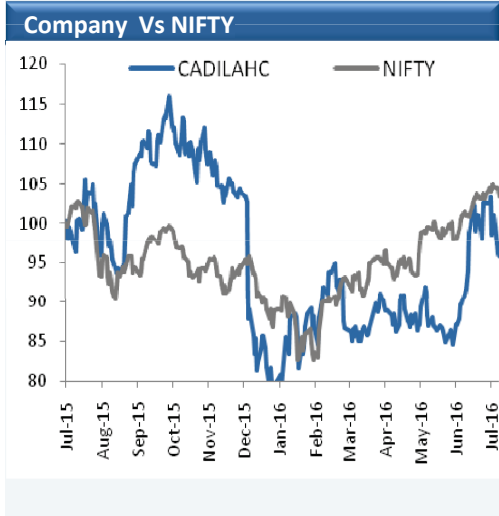
CADILA HEALTHCARE LTD

Company Update	
CMP	366
Target Price	415
Previous Target Price	395
Upside	14%
Change from Previous	5%

Market Data	
BSE Code	532321
NSE Symbol	CADILAHC
52wk Range H/L	453.30/295.00
Mkt Capital (Rs Cr)	37597
Av. Volume(,000)	109
Nifty	8557.2

Stock Performance			
	1M	3M	12M
Absolute	1.2	-8.0	-9.4
Rel.to Nifty	2.5	0.1	2.2

Share Holding Pattern-%			
	1QFY17	4QFY16	3QFY16
Promoters	74.8	74.8	74.8
Public	25.2	25.2	25.2
Others	-	-	-
Total	100.0	100.0	100.0



Cadila Healthcare has reported Revenue of Rs. 2287 Cr in 1QFY17 vs 2383 Cr in the corresponding Quarter of FY16. The Revenue from the US market has declined due to the pricing pressure. Moraiya inspection formally closed; Warning letter resolution intimation to come separately. The company has filed 6 ANDA and received approval for 3 ANDA's during the Quarter. The company has launched two new products in US market, 20 new products in the Indian Market and 1 new product in the Brazil market. Company has also signed Strategic collaboration with TEVA. Company has also launched Asacol Hd in 1QFY17 and revenue will generate from August 2016. Going forward management expects growth in emerging markets, considering future outlook we recommend Buy Rating on this stock

Result Highlights of 1QFY17

- Revenue from operations declined to Rs. 2287 Cr from Rs. 2383 Cr (-4% on YoY basis) on account of lower sales from US market due to increasing pricing pressure
- EBITDA Rs. 524 Cr .EBITDA Margin declines to 22.9% to 24.3% due to higher R&D expenses and remuneration expenses
- Reported PAT of Rs. 356 Cr 460 Cr.
- R&D expenses was 7-8% of Revenue
- Company has also signed Strategic collaboration with TEVA
- The company has filed 6 ANDA and received approval for 3 ANDA's during the Quarter
- The company has launched two new products in US market, 20 new products in the Indian Market, 1 new product in Brazil market
- Moraiya inspection formally closed; Warning letter resolution intimation to come separately
- The company's India business recorded growth of 6% YoY in 1QFY17
- In 1QFY17, Europe sales also declined 5% YoY to Rs. 79.2 Cr
- Higher Employee costs on account of New SEZ facility and increase in quality team size

	Rs,Cr				
Financials	2012	2013	2014	2015	2016
Sales	5263	6358	7224	8651	9838
EBITDA	1084	1125	1200	1756	2383
Net Profit	652	653	803	1151	1523
EPS	4	4	4	5	6
P/E	49.5	49.4	57.8	49.9	45.6

(Source: Company/Eastwind)

Key Product launches in FY18

Generic name	Brand Name	Market size (USD mn)	Expected launch	Patent expiration	Comments
Lansoprazole	PrevacidSolutab	240	FY18	17-Nov-19	Cadila won the non-infringement case in Mar'14 and will launch on approval
Mesalamine	Asacol HD	250	FY18	15-Nov-21	Cadila has tied for an AG launch or can launch its own ANDA post approval
Mesalamine	Lialda	300	FY18	8-Jun-20	Cadila is sole FTF. Other filers are Osmotica, Mylan&Watson with litigation ongoing
Sirolimus	Rapamune (1 mg, 2mg)	190	FY18	Expired	Cadila has launched 0.5 mg strength (USD 12 mn) has TA on other two strengths; Dr. Reddy's has launched 1mg & 2 mg strengths

Concall Highlights

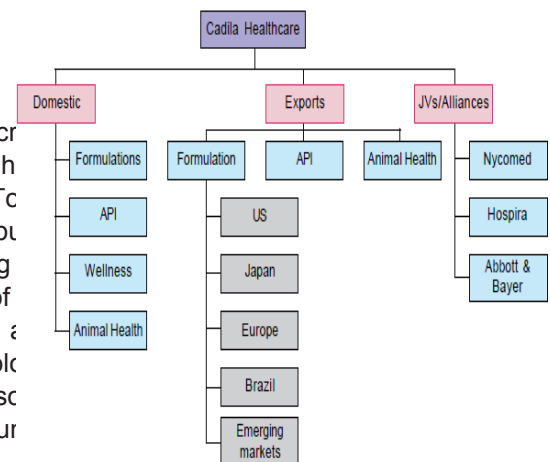
- Double digit growth rate is expected in domestic market for the rest of the year
- The company has filed 6 ANDA and received approval for 3 ANDA's during the Quarter
- Tax would range from 20-22% in FY17
- Asacol Hd has been launched in 1QFY17 and Revenue will come from August 2016
- 12-15 key products will be launched by December 2015
- Meeting with USFDA is expected to schedule in month of September
- Moraiya inspection formally closed. Warning letter resolution intimation to come separately

Outlook and Valuation

Cadila Healthcare has already received EIR for its Moraiya facility, we expect Moraiya facility will be fully operational within few months. Management expects growth in domestic market to be in double digits in the remaining 9 months of FY17. The company has launched two new products in US market, 20 new products in the Indian Market and 1 new product in the Brazil market. Company has also signed Strategic collaboration with TEVA. Recovery in Zydus Wellness business growth and profitability has been observed in 1QFY. Considering medium term opportunities we recommend Buy Rating with a target price of 415

About Company

Cadila Healthcare (CDH) is a well diversified Pharma company with presence across more than 100 countries in the world and among the few Indian players to have presence in Consumer and Animal health businesses. Cadila ranks among the top companies in the Indian pharma market and the India branded business contributes more than 30% of its sales. US contributes 35% of its revenues and is among top 15 generic companies in the US in terms of prescriptions. Cadila is one of the leading players in CV, gastrointestinal and women's healthcare segments. It is also present in respiratory, pain management, CNS, anti-infectives, oncology, neurosciences, dermatology and nephrology segments. It also plans to tap into unique opportunities through its JVs with Takeda, Hospira, Bayer and Bharat Seru



CADILA HEALTHCARE LTD

Financials Snap Shot

INCOME STATEMENT

	FY13	FY14	FY15	FY16
Revenue (Net of Excise D	6358	7224	8651	9838
Other Income	37	51	55	94
Total Revenue	6395	7275	8707	9932
COGS	2320	2714	3197	3277
GPM	36.5%	37.6%	36.9%	33.3%
Other Expenses	2008	2239	2491	2846
EBITDA	1125	1200	1756	2383
EBITDA Margin (%)	18%	17%	20%	24%
Depreciation	185	201	287	302
EBIT	940	999	1468	2081
Interest	169	90	68	49
PBT	809	959	1456	2126
Tax	119	106	259	571
Tax Rate (%)	15%	11%	18%	27%
Reported PAT	653	804	1151	1523
Dividend Paid	180	216	240	688
No. of Shares	180	216	240	264

Souce: Eastwind/Company

RATIOS

	FY13	FY14	FY15	FY16
EPS	3.6	3.7	4.8	5.8
Book Value	16.4	16.0	17.7	20.3
DPS	1.0	1.0	1.0	2.6
Payout (incl. Div. Tax.)	27%	27%	21%	45%
Valuation(x)				
P/E	49.4	57.8	49.9	45.6
Price / Book Value	11.0	13.5	13.5	13.0
Dividend Yield (%)	1%	0%	0%	1%
Profitability Ratios				
RoE	22%	23%	27%	28%
RoCE	22%	21%	27%	33%
Turnover Ratios				
Asset Turnover (x)	0.9	0.9	1.0	1.0
Debtors (No. of Days)	55	57	67	62
Inventory (No. of Days)	70	69	65	54
Creditors (No. of Days)	38	46	46	50
Net Debt/Equity (x)	0.5	0.4	0.3	0.2

Souce: Eastwind/Company

BALANCE SHEET

	FY13	FY14	FY15	FY16
Share Capital	102	102	102	102
Reserves	2842	3337	4149	5250
Net Worth	2945	3439	4252	5352
Long term Debt	1426	1362	1150	896
Short term Debt	1257	902	1184	1211
Deferred Tax	101	96	59	61
Total Capital Employed	4371	4801	5402	6248
Net Fixed Assets	3761	4015	4150	4790
Capital WIP	736	892	798	0
Debtors	955	1134	1588	1680
Cash & Bank Balances	584	549	670	695
Trade payables	657	911	1091	1345
Total Provisions	314	369	473	215
Net Current Assets	1778	1542	2145	2241
Total Assets	7374	7987	9047	10016

Souce: Eastwind/Company

CASH FLOW STATEMENT

	FY13	FY14	FY15	FY16
OP/(Loss) before Tax	809	942	1446	2124
Depreciation	185	201	287	302
Direct Taxes Paid	-272	-173	-387	-662
Operating profit before v	923	1191	1413	2719
CF from Op. Activity	603	903	994	1994
Purchase of Non Current	0	0	1	0
Capital expenditure on fi	-724	-484	-512	-972
CF from Inv. Activity	-682	-438	-465	-904
Repayment of Long Term	353	552	570	232
Interest Paid	-164	-86	-67	-47
Divd Paid (incl Tax)	-179	-219	-235	-697
CF from Fin. Activity	286	-529	-351	-953
Inc/(Dec) in Cash	207	-64	178	137
Add: Opening Balance	470	677	613	790
Closing Balance	677	613	790	928

Souce: Eastwind/Company