NARNOLIA

CADILA HEALTHCARE LTD

BUY

CADILA HEALTHCARE LTD — **18th MAY2016**

Company Update	
CMP	319.6
Target Price	385
Previous Target Price	
Upside	20%
Change from Previous	

Market Data	
BSE Code	532321
NSE Symbol	CADILAHC
52wk Range H/L	454.40/295.50
Mkt Capital (Rs Cr)	32908
Av. Volume(,000)	755.24
Nifty	7890.8

Stock Performance

	1M	3M	12M
Absolute	-5.2	-8.2	-4.4
Rel.to Nifty	-2.8	-1.6	-2.4

Share Holding Pattern-%

	4QFY16	3QFY16	2QFY16
Promoters	74.8	74.8	74.8
Public	25.2	25.2	25.2
Others	-	-	-
Total	100.0	100.0	100.0

Company Vs NIFTY

Cadila is set to witness a strong growth owing to rich US pipeline and several high potential products await FDA approval. While the moraiya plant has received 483 observations and under USFDA Scanner from December 2015 .The site transfer approvals and complete process will be crucial for maintaining growth. Cadila filed 30 ANDAs during the year with the USFDA, taking the cumulative filings to 269, and received ten ANDA approvals during the year taking the total to 103 product approvals. Some key products like gNexium, gToprol, gAsacol and Prevacid OTC are under process of transfer. These products would be the future key trigger as these are limited competition products. We expect cadila to comfortably maintain a healthy product launch on the back of these key competitive opportunities. We maintain a BUY Rating for the stock with one year target price of Rs 385Cr.

Quartely Result Update

• Reported a decline of 13% YoY and 2% YoY in the US formulation market to Rs961 crore with the sequential decline mainly due to pricing pressure in HCQS (on account of new entrants).

• Revenues from the Indian formulation business grew by double digit YoY by 13% to Rs767 crore .

• Latin American market, sales remain flat at Rs54Cr due to sharp currency depreciation.

• The revenues from its joint venture (JV) businesses,seen a 46% increase in the revenues to Rs146 Crore

• The revenues from emerging markets grew by 20% YoY to Rs134.3 Crore

• The revenues from consumer business (through Zydus Wellness) witnessed a 5% growth YoY in the revenue to Rs116.9 Crore

• Animal healthcare business, a 3% YoY growth to Rs84.4 Crore during the quarter.

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*	*1553*
EPS	*32*	*32*	*39*	*56*	*65*
P/E	*23.0*	*26.0*	*31.0*	*31.0*	*28.0*

(Source: Company/Eastwind)

Please refer to the Disclaimers at the end of this Report.

Other Highlights

• EBITDA Margin in line with the estimate at 23.7% and Gross Margin at 66.4%.Reported a net profit of Rs 389Crore.

• R&D spends was at 7.6% of sales in 4QFY16.

•The total capital expenditure for FY16 is Rs950 crore. This includes acquisition of select animal healthcare brands, the manufacturing operations in India from Zoetis and acquisition of Actibile, the brand from Albert David

Key takeaways from Concall

→The Company expects 20 product approvals from Baddi, SEZ and the Nesher plant in FY17.In FY16 the company has received 10 approvals in US market (6 in last qtr) and 1 tentative approval and have launched 3 products approvals.

→In case of Asacol HD, the company is keeping all its options open and would take the final decision by July 2016 end whether to launch an AG or not. However, the AG launch will result in lower margins (as the company will have to share its profits with the innovator).

→As per the management corrective measures at moraiya continue and likely to be completed by May2016.It plans to invite the US FDA for audit over the next two months.

→The Company's Ankaleshwar API plant successfully completed the audit by the Mexican regulatory authority

→India Business is expected to be better than FY16 (Impact due to regulatory changes would not be more than 2% in FY17).

→ Tax rate would be 20% in FY17(FY16-Tax Rate-26%)

→The Company expects EBITDA margins at ~22% for FY17.

View and Valuation

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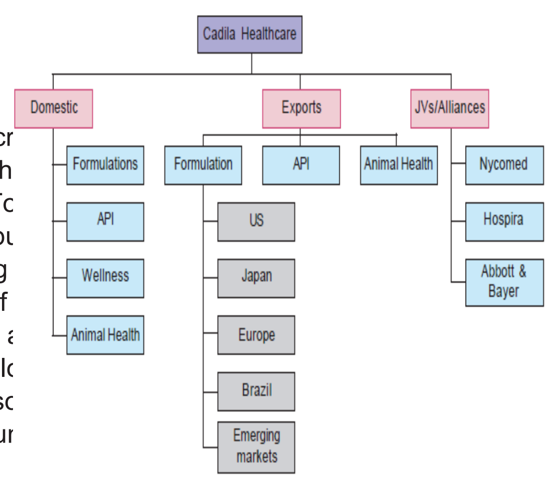
About Company

Cadila Healthcare (CDH) is a well diversified Pharma company with presence acr more than 100 countries in the world and among the few Indian players to h presence in Consumer and Animal health businesses. Cadila ranks among the Tc companies in the Indian pharma market and the India branded business contribu 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 leading players in CV, gastrointestinal and women's healthcare segments. It is a present in respiratory, pain management, CNS, anti-infectives, oncolo neurosciences, dermatology and nephrology segments. It also plans to tap sc unique opportunities through its JVs with Takeda, Hospira, Bayer and Bharat Serur



Financials Snap Shot

INCOME STATEMENT

	FY13	FY14	FY15	FY16
Revenue	6155	7060	8497	9838
Other Income	37	51	55	94
Total Revenue	6395	7275	8707	9932
COGS	2320	2714	3197	3277
GPM	62.3%	61.6%	62.1%	66.7%
Other Expenses	2008	2239	2490	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	772	892	1390	2126
Tax	119	106	259	571
Tax Rate (%)	15%	12%	19%	27%
Reported PAT	653	804	1151	1523

Souce: Eastwind/Company

RATIOS

	FY13	FY14	FY15	FY16E
EPS	31.9	39.3	56.2	65.2
Book Value	143.8	168.0	207.7	264.7
DPS	8.8	10.5	12.7	12.9
Payout	29%	29%	22%	20%
Valuation(x)				
P/E	23.3	26.1	31.0	26.7
Price / Book Value	5.2	6.1	8.3	6.6
Dividend Yield (%)	24%	21%	15%	15%
Profitability Ratios				
RoE	22%	23%	26%	25%
RoCE	22%	21%	26%	25%
Turnover Ratios				
Asset Turnover (x)	0.8	0.9	1.0	1.0
Debtors (No. of Days)	64	57	59	55
Inventory (No. of Days)	78	72	71	70
Creditors (No. of Days)	119	103	123	78
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	6634
Net Fixed Assets	3026	3124	3417	4216
Capital WIP	736	892	0	1042
Debtors	955	1134	1588	1315
Cash & Bank Balances	584	549	670	804
Trade payables	657	911	1091	1345
Provisions	247	293	362	90
Net Current Assets	521	640	962	1045
Total Assets	7374	7987	9047	10016

Souce: Eastwind/Company

CASH FLOW STATEMENT

	FY13	FY14	FY15	FY16E
OP/(Loss) before Tax	809	942	1448	1642
Depreciation	185	201	287	329
Direct Taxes Paid	-272	-173	-223	-291
(Inc)/Dec in Wkg Cap	-202	-36	-543	-290
CF from Op. Activity	603	887	1181	1410
Purchase of fixed assets	-724	-468	-467	-801
Purchase of investments	-1	-1	0	0
CF from Inv. Activity	-682	-422	-572	-947
Interest Paid	-164	-86	-68	-66
Proceeds from Long Teri	353	552	0	0
Divd Paid (incl Tax)	-709	-219	-240	-264
CF from Fin. Activity	286	-529	-490	-340
Inc/(Dec) in Cash	207	-64	119	124
Add: Opening Balance	470	677	549	668
Closing Balance	677	613	668	792

Souce: Eastwind/Company

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