

BSE SENSEX

52,232

NIFTY50

15,690

Stock Info

CMP (INR)	634
TP (INR)	740
M.Cap. (INR b)	649
Avg. Turnover, INR m	3667
Equity Shares (m)	1024
Face Value	5
52-Week Range (INR)	647/347
1/6/12 m Abs. Perf* (%)	11/ 37/ 79

Data as on 3rd June, 2021

Financial Snapshot (INR bn)

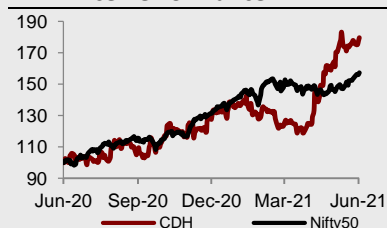
Y/E Mar	FY21	FY22E	FY23E
Sales	151	162	176
EBITDA	33.4	39.3	41.9
Adj. PAT	20.3	25.7	27.0
EBITDA (%)	22.1	24.3	23.9
EPS (INR)	19.8	25.1	26.4
EPS Gr. (%)	34.8	26.5	5.3
BV/Sh. (INR)	126.9	168.1	188.5
RoE (%)	17.4	17.0	14.8

Valuations

P/E (x)	32.0	25.3	26.4
EV/EBITDA (x)	20.1	16.6	15.2
Div Yield (%)	0.6	0.7	0.8
FCF Yield (%)	4.1	4.2	3.5

Shareholding pattern (%)

As On	Sep-20	Dec-20	Mar-21
Promoter	74.9	74.9	74.9
MFs	7.3	7.5	6.4
FPIs	4.4	5.2	5.2
Others	13.4	12.4	13.5

1-Yr Price Performance


Investors are advised to refer through disclosures made at the end of the Research Report.

R&D on track for COVID 19vaccine/Niche Product Development

Cadila Healthcare Ltd (CDH) a fully integrated, global healthcare provider has strong capabilities across the pharma value chain- from formulations to APIs and animal healthcare products to wellness products.

DF on a strong footing: CDH posted 9% YoY growth in the DF segment in FY21, with strong growth (15% YoY) in 4Q, led by the Specialty cluster of products which grew faster than the Mass cluster. In addition, we expect the COVID-19 portfolio to aid further growth in the DF segment. It has already launched products like Remdesivir, HCQs, and Pegylated interferon used for treating patients detected with COVID-19. It also has a marketing agreement for Liposomal Amphotericin B. It is in advanced stage of Phase III clinical trials, with the data to be submitted to the regulatory authority for its COVID-19 vaccine. CDH now has one of the strongest COVID-19 portfolios in India, which will propel the domestic business in the short run. Considering the aforementioned factors, we expect CDH to post 18% CAGR in DF revenue to INR56b over FY21-23E.

COVID-19 vaccine- A shot in the arm: Trials have been conducted on a three-dose regimen and pricing is expected to be affordable for its vaccine. The trial includes 1,000 children (12-18 years) and hence could be one of the first to be approved for children. It is also working out a plan to test its vaccine for children aged 5-12 years. CDH would seek emergency use approval for its COVID-19 vaccine in next 2 weeks and would initially begin a vaccine supply rate of 10m doses/month which is expected to increase to 30-40m after 4-6 months, with partnerships/ capacity expansion. It is also developing another vaccine candidate, which is in nascent stages currently. Vaccine sales could meaningfully elevate DF segment sales and provide further upside to our estimates.

US pipeline build-up progressing well: CDH has been able to maintain its market share in US, despite lower offtake of its key product g-Asacol and expects sales to normalize from 2QFY22 onwards. It launched 30 ANDAs in FY21 while new approvals/filings stood at 35/22. It is expected to sustain the launch pace in FY22 as well. It expects to launch one complex injectable in US shortly. We expect US business to post 7% sales CAGR over FY21-23E. Meaningful benefits from innovative portfolio are expected beyond FY23E.

Strategic reprioritizing led to divestment of Animal Health business: As part of its strategic re-evaluation, CDH has entered into an agreement to divest its Animal Healthcare business for INR29.2b (USD398m) on a slump sale basis to focus on scaling up its India human health, US generics, specialty segment, and emerging market business. The valuation is considered decent at EV/sales of 5x and EV/EBITDA of ~19x given its leadership positions across various therapies covering most animal species of livestock and poultry. As a result of the deal, CDH's net debt will reduce to less than INR10b over the short term and will use the deal proceeds to make investments in its focus business segments.

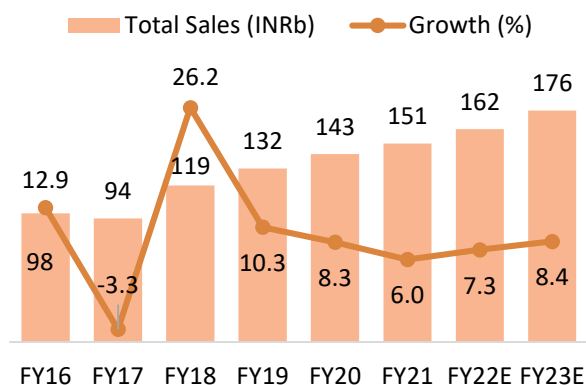
Valuation and view: We remain positive on CDH on account of: a) superior execution in DF segment, b) favorable demand for COVID-19 products, c) innovative/Complex Generic pipeline, and c) reducing financial leverage. We expect 15% earnings CAGR on the back of 7% sales CAGR in US (vis-a-vis 3% YoY growth in FY21), 18% sales CAGR in DF (considering muted growth in FY21), 18% sales CAGR in EMs supported by 180bp margin expansion, and reduced financial leverage. Vaccine-related upside is yet to be captured in the earnings. Maintain Buy with TP of INR740 (26x FY22E earnings).

Siddhartha Khemka – Research Analyst

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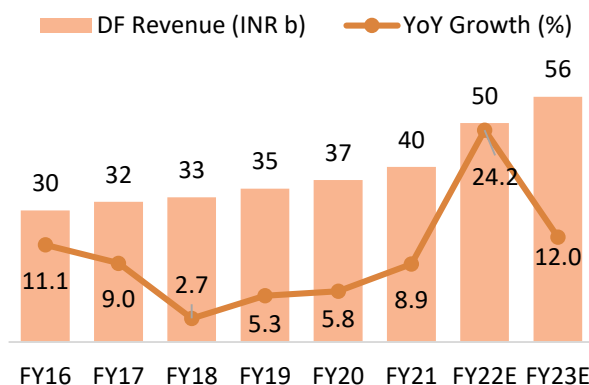
Story in Charts

Exhibit 1: Expect 8% revenue CAGR over FY21-23E



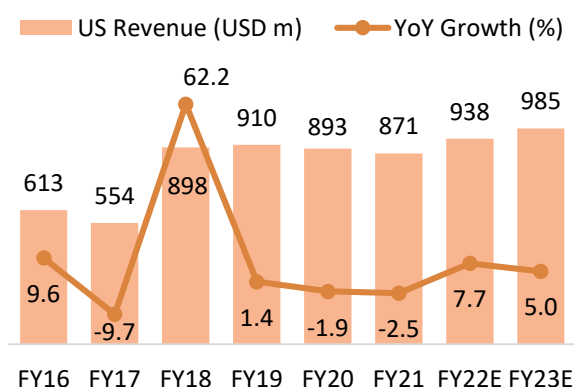
Source: Company, MOFSL

Exhibit 2: India to exhibit 18% sales CAGR over FY21-23E



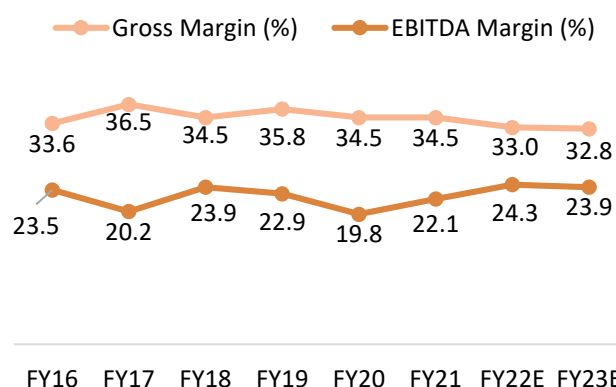
Source: Company, MOFSL

Exhibit 3: High base to keep US growth in check



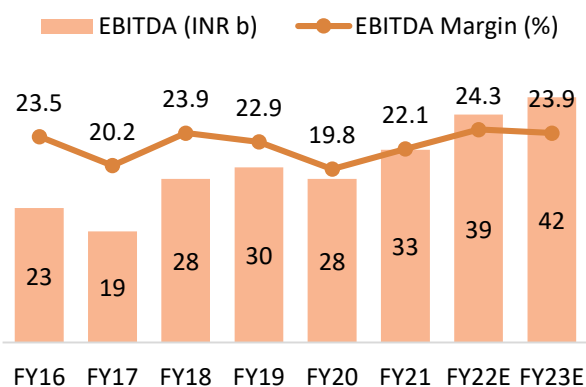
Source: Company, MOFSL

Exhibit 4: EBITDA margin to inch up over FY21-23E



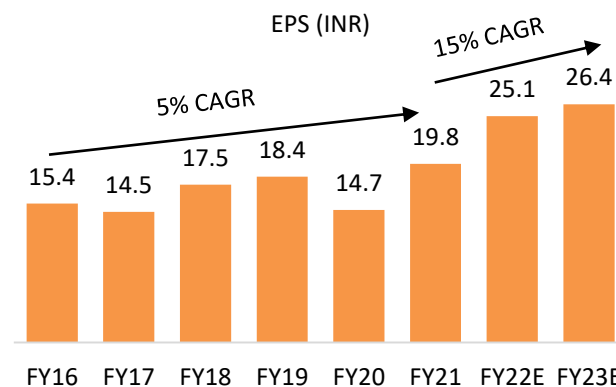
Source: Company, MOFSL

Exhibit 5: Expect 12% EBITDA CAGR over FY21-23E



Source: Company, MOFSL

Exhibit 6: Expect 15% CAGR in adjusted EPS over FY21-23E



Source: Company, MOFSL

Financials and Valuations

Income Statement							(INR Mn)	
Y/E Mar	2016	2017	2018	2019	2020	2021	2022E	2023E
India Sales	36,994	41,138	41,730	47,254	59,268	64,424	70,679	78,167
International Sales	57,418	53,018	74,577	80,231	78,853	83,791	92,314	98,343
Gross Sales	97,146	96,253	1,19,364	1,31,657	1,42,531	1,51,022	1,66,249	1,80,287
Net Sales	97,509	94,295	1,19,364	1,31,657	1,42,531	1,51,022	1,62,055	1,75,649
Change (%)	12.9	-3.3	26.6	10.3	8.3	6.0	7.3	8.4
Total Expenditure	74,547	75,259	90,889	1,01,521	1,14,365	1,17,612	1,22,756	1,33,756
EBITDA	22,962	19,036	28,475	30,136	28,166	33,410	39,298	41,892
Margin (%)	23.5	20.2	23.9	22.9	19.8	22.1	24.3	23.9
Depreciation	3,022	3,750	5,388	5,986	6,965	7,248	7,457	7,772
EBIT	19,940	15,286	23,087	24,150	21,201	26,162	31,841	34,120
Int. and Finance Charges	463	450	911	1,935	3,418	1,635	485	123
Other Income - Rec.	918	1,286	1,132	2,011	1,139	860	980	1,103
PBT before EO Expense	20,395	16,122	23,308	24,226	18,922	25,387	32,336	35,100
EO Expense/(Income)	25	-3	0	404	3,968	2,539	-29,200	0
PBT after EO Expense	20,370	16,125	23,308	23,822	14,954	22,848	61,536	35,100
Tax	4,298	1,289	5,644	5,303	3,198	1,472	13,661	8,073
Tax Rate (%)	21.1	8.0	24.2	22.3	21.4	6.4	22.2	23.0
Reported PAT	16,072	14,836	18,292	18,519	11,756	21,376	47,875	27,027
Less: Minority Interest	300	291	346	30	10	0	0	0
Net Profit	15,772	14,545	17,946	18,489	11,766	21,376	47,875	27,027
PAT Adj for EO Items	15,797	14,880	17,946	18,803	15,047	20,282	25,657	27,027
Change (%)	37.7	-5.8	20.6	4.8	-20.0	34.8	26.5	5.3
Margin (%)	16.2	15.8	15.0	14.3	10.6	13.4	15.8	15.4
No of Shares (Mn - FV: Rs5)	1023.7	1023.7	1023.7	1023.7	1023.7	1023.7	1023.7	1023.7
Adj EPS	15.4	14.5	17.5	18.4	14.7	19.8	25.1	26.4

Balance Sheet							(INR Mn)	
Y/E Dec	2016	2017	2018	2019	2020	2021	2022E	2023E
Equity Share Capital	1,024	1,024	1,024	1,024	1,024	1,024	1,024	1,024
Total Reserves	55,968	68,576	86,421	1,02,839	1,02,733	1,28,899	1,71,099	1,91,958
Net Worth	56,992	69,600	87,445	1,03,863	1,03,757	1,29,923	1,72,123	1,92,981
Minority Interest	1358	1561	1910	12929	13347	19373	19373	19373
Deferred liabilities	-3176	-4006	-6425	-7180	-6430	-9547	-9547	-9547
Total Loans	22,646	51,693	53,332	74,060	73,234	40,450	12,316	-2,684
Capital Employed	77,820	1,18,848	1,36,262	1,83,672	1,83,908	1,80,199	1,94,265	2,00,123
Net Fixed Assets	37,379	57,651	64,826	1,21,637	1,22,305	1,21,328	1,27,026	1,26,462
Capital WIP	9,508	15,433	15,272	8,372	7,415	7,832	4,416	2,708
Investments	2,171	3,857	4,709	6,735	7,650	8,301	8,301	8,301
Curr. Assets	51,263	70,196	86,600	88,384	90,967	90,642	1,02,209	1,13,195
Inventory	13,371	18,037	23,853	26,880	27,890	32,362	37,969	42,057
Account Receivables	17,466	22,775	32,063	39,508	36,632	31,273	44,241	49,709
Cash and Bank Balance	6,387	15,435	13,149	5,489	9,649	8,883	1,874	3,305
Loans & Advances	14,039	13,949	17,535	16,507	16,796	18,124	18,124	18,124
Curr. Liability & Prov.	22,501	28,289	35,145	41,456	44,429	47,904	47,687	50,542
Account Payables	21,988	27,716	34,143	40,099	41,997	44,605	44,388	47,243
Provisions	513	573	1,002	1,357	2,432	3,299	3,299	3,299
Net Current Assets	28,762	41,907	51,455	46,928	46,538	42,738	54,522	62,653
Appl. of Funds	77,820	1,18,848	1,36,262	1,83,672	1,83,908	1,80,199	1,94,265	2,00,124

E: MOFSL Estimates

Ratios

Y/E Mar	2016	2017	2018	2019	2020	2021	2022E	2023E
EPS	15.4	14.5	17.5	18.4	14.7	19.8	25.1	26.4
Cash EPS	18.4	17.9	22.8	23.9	18.3	28.0	54.0	34.0
BV/Share	55.7	68.0	85.4	101.5	101.4	126.9	168.1	188.5
DPS	3.2	3.6	3.6	3.6	3.6	3.6	4.6	5.0
Payout (%)	20.7	24.8	20.5	19.6	24.5	18.2	18.4	18.9
Valuation (x)								
P/E	41.1	43.6	36.2	34.5	43.1	32.0	25.3	24.0
Cash P/E	34.5	35.5	27.8	26.5	34.7	22.7	11.7	18.7
P/BV	11.4	9.3	7.4	6.2	6.3	5.0	3.8	3.4
EV/Sales	6.8	7.2	5.7	5.4	4.9	4.5	4.0	3.6
EV/EBITDA	28.9	35.8	24.1	23.6	25.0	20.1	16.6	15.2
Dividend Yield (%)	0.50	0.57	0.57	0.57	0.57	0.57	0.73	0.79
FCF per share	10.3	-16.4	-3.1	-42.1	18.0	26.0	26.7	22.2
Return Ratios (%)								
RoE	31.7	23.0	22.9	19.3	11.3	17.4	17.0	14.8
RoCE	22.6	15.2	14.0	12.8	9.9	14.6	14.4	14.5
Working Capital Ratios								
Asset Turnover (x)	1.3	0.8	0.9	0.7	0.8	0.8	0.8	0.9
Inventory (Days)	54	61	64	70	70	73	79	83
Debtor (Days)	63	76	84	99	97	82	83	95
Leverage Ratio (x)								
Interest Cover Ratio	43.1	34.0	25.3	12.5	6.2	16.0	65.6	277.0
Net Debt/Equity	0.3	0.5	0.5	0.8	0.7	0.3	0.1	0.0

Cash Flow Statement

(INR Mn)

Y/E Mar	2016	2017	2018	2019	2020	2021	2022E	2023E
Oper. Profit/(Loss) bef. Tax	22,962	19,036	28,475	30,136	28,166	33,410	39,298	41,892
Interest/Dividends Recd.	918	1,286	1,132	2,011	1,139	860	980	1,103
Direct Taxes Paid	-4,298	-1,289	-5,644	-5,303	-3,198	-1,472	-13,661	-8,073
(Inc)/Dec in WC	-3,568	-4,097	-11,834	-3,133	4,550	3,034	-18,793	-6,700
CF from Operations	16,014	14,936	12,129	23,711	30,657	35,832	7,825	28,222
EO Expense / (Income)	26	-2	0	404	3,968	2,539	-29,200	0
Others	2,947	-1,821	-2,936	-10,488	-1,635			
CF from Operating incl EO Exp.	18,935	13,117	9,193	12,819	25,054	33,293	37,025	28,222
(inc)/dec in FA	-8,408	-29,947	-12,402	-55,897	-6,676	-6,688	-9,740	-5,500
Free Cash Flow	10,527	-16,830	-3,209	-43,078	18,378	26,605	27,286	22,722
(Pur)/Sale of Investments	-627	-1,686	-852	-2,026	-915	-651	0	0
Others	400	2,914	3,517	15,536	-2,532			
CF from Investments	-8,635	-28,719	-9,737	-42,387	-10,123	-7,339	-9,740	-5,500
Inc/(Dec) in Debt	-1,445	29,250	1,988	31,747	-408	-26,758	-28,134	-15,000
Interest Paid	-463	-450	-911	-1,935	-3,418	-1,635	-485	-123
Dividend Paid	-3,884	-4,436	-4,436	-3,668	-4,336	-4,441	-5,675	-6,168
Others	-3,556	-1,207	3,874	-7,298	-2,780	6,114	0	0
CF from Fin. Activity	-9,348	23,157	515	18,846	-10,942	-26,720	-34,294	-21,291
Inc/Dec of Cash	952	7,555	-29	-10,722	3,989	-766	-7,009	1,431
Add: Beginning Balance	7,379	8,370	15,926	15,897	7,788	11,777	11,011	4,002
Closing Balance	8,370	15,926	15,897	7,788	11,777	11,011	4,002	5,433
Cash and bank balances	1,983	491	2,748	2,299	2,128	2,128	2,128	2,128
Total Cash & Cash Eq	6,387	15,435	13,149	5,489	9,649	8,883	1,874	3,305

E: MOFSL Estimates

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