



Cadila Healthcare Q1FY22 results were in line with estimates. Robust India sales growth offsets US degrowth and improves profitability.

- Sales came in at Rs 39.1 bn, +10% yoy.
- EBITDA came in at Rs 9.3 bn, +14% yoy.
- EBITDA margins at 23.8% (+80 bps yoy/+100 bps qq).
- PAT came in at Rs 5.74 mn, +27% yoy, in line with our estimate of Rs 5.7 mn.

Key Developments

- **US sales** -11% yoy Rs 14.51 bn, due to lower volumes and price erosion in the US.
- 4 new launches in Q1FY22.
- **Moraiya remediation completed, awaits USFDA inspection.**
- Transdermal launches in US post USFDA clearance to Moraiya plant.
- **India business:** Sales growth across Human Health (+64%), Wellness (+22%) and Animal Health (+23%).
- **Human Health**
- Q1FY22 sales +64% Rs 13.6 bn largely volume growth and benefit from second wave.
- Gained rank to 4th in Indian market.
- Gained market share in anti-diabetic, anti-infectives and nutraceuticals.
- Launched Trastuzumab Emtansine, the first antibody drug conjugate (ADC) biosimilar for the treatment of early and advanced HER2 breast cancer, savings around 80%..
- **Wellness** Q1FY22 sales +10% Rs 5.8 bn.
- ROW sales at Rs 2.8 bn, +17% yoy.
 - a. New launches in Brazil
 - b. Launched Pegfilgrastim in Russia during the quarter.
- ZyCovD EUA for ZyCov D 2 mg, awaits submission of data, the company expects completion soon. ZyCov D 3mg under trial.

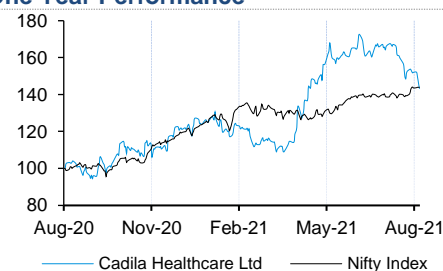
Rating	TP (Rs)	Up/Dn (%)
BUY	714	28

Market data

Current price	Rs	558
Market Cap (Rs.Bn)	(Rs Bn)	565
Market Cap (US\$ Mn)	(US\$ Mn)	7617
Face Value	Rs	1
52 Weeks High/Low	Rs	673.7 / 358
Average Daily Volume	('000)	5746
BSE Code		532321
Bloomberg		CDH:IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-21	Mar-21
Promoters	74.88	74.88
Public	25.12	25.12
Total	100	100

Source: BSE

Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Net sales	127484	138121	148215	175976	183955
EBITDA	29775	27647	33410	43239	44843
Adjusted net profit	18532	15215	23387	28257	29238
Free cash flow	7999	14104	24933	-9311	4629
EPS (Rs)	18.1	14.8	22.9	27.4	28.6
growth (%)	5%	-18%	54%	20%	4%
P/E (x)	31	38	24	20	20
P/B (x)	6	6	4	3	3
EV/EBITDA (x)	21	23	18	13	12
D/E	0.7	0.7	0.3	0.2	0.2
RoIC (%)	11%	10%	13%	15%	14%
RoE (%)	18%	15%	18%	16%	14%
Dividend yield (%)	1	1	1	1	1

Source: Company

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Key Highlights

Particulars (Rs mn)	Q1FY22	Q4FY21	Q1FY21	% yoy	% qoq	FY21	FY20	Var %
Net Sales	39174	37562	35493	10%	4%	148215	138121	7%
Other Operating Income	1080	905	906			2807	4410	
Income from operations	40254	38467	36399	11%	5%	151022	142531	6%
Other Income	316	-403	225			372.00	1139	
Total Income	40570	38064	36624			151394	143670	
Raw materials	13748	13440	12503			52101	49200	
Employee Expenses	6542	6209	6345			24902	24145	
Other Expenses	10634	10265	9397			40609	41539	
Total Expenses	30924	29914	28245	9%	3%	117612	114884	2%
EBITDA excl. other income	9330	8553	8154	14%	9%	33410	27647	21%
EBITDA + other income	9646	8150	8379			33782	28786	
Depreciation	1827	1886	1768			7248	6965	
Finance Costs	173	233	677			1635	3418	
PBT	7646	6031	5934	29%	27%	24899	18403	35%
less: Taxes	1415	-2016	1235			1472	3198	
PAT	6231	8047	4699			23427	15205	
Profit/loss of associate Company	70	38	167			474	288	
Minority interest	553	564	326			-514	-278	
Adjusted PAT	5748	7521	4540	27%	-24%	23387	15215	54%
Extraordinary items inc/(exp)	0	-731	0			-2051	-3636	
PAT after Extraordinary	5748	6790	4540			21336	11579	
Equity	1024	1024	1024			1024	1024	
Face Value	1	1	1			1	1	
Adjusted EPS	5.6	7.3	4.4			22.8	14.9	
EPS incl. extra	5.6	6.6	4.4			20.8	11.3	

EBITDA margin improvement despite increase in costs

Debt repayment reduces interest costs

Cost Analysis	Q1FY22	Q4FY21	Q1FY21	FY21	FY20	Var %
RMC	35%	36%	35%	35%	36%	
EMC	17%	17%	18%	17%	17%	
Other exps	27%	27%	26%	27%	30%	

Profitability	Q1FY22	Q4FY21	Q1FY21	bps yoy	bps qoq	FY21	FY20	Var %
Gross margin	64.9	64.2	64.8	13	69	64.8	64.4	47
EBITDA margin	23.8	22.8	23.0	84	105	22.5	20.0	253
PBT margin	19.5	16.1	16.7	280	346	16.8	13.3	348
PAT margin	14.7	20.0	12.8	188	-535	15.8	11.0	476

Sales by Geography	Q1FY22	Q4FY21	Q1FY21	% yoy	% qoq	FY21	FY20	Var %
USA	14510	15090	16230	-11%	-4%	64484	63044	2%
India - Human Health	13570	10260	8292	64%	32%	40457	37141	9%
India - Wellness	5860	5984	5316	10%	-2%	18409	17668	4%
India - Animal Health	0	1476	1252			5973	5610	6%
Others	5353	5657	5309	1%	-5%	22117	15068	47%

Robust India growth across human health and wellness offsets US de-growth.

- Zydus signed a license supply and commercialisation agreement with TLC Taiwan, for commercializing AmphoTLC (Amphotericin B Liposome for injection 50 mg) in India.
- Saroglitazar received orphan drug status from European Medicines Agency (EMA) for the treatment of Primary Biliary Cholangitis (PBC).

Valuation & Outlook

Cadila Healthcare has grown across human health and wellness in India, offsetting 11% degrowth in the US due to price erosion and lower offtake of Asacol HD. The management expects Asacol volumes to return from Q2FY22 and has also planned new launches in the US, including 1 complex injectable.

In India, we believe Cadila has benefitted from its innovative Covid19 basket with Remdesvir, VIRAFIN, Amphotericin and Zy CovD, subject to approval.

At Rs 558, Cadila Healthcare trades at 20x FY23E EPS of Rs 28.6. We have valued Cadila Healthcare at 25x FY23E EPS and arrived at a target price of Rs 714.

In view of the correction in price, we maintain BUY.

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