

**Cadila Healthcare Q4FY21 results were in line with estimates. Robust India sales growth offsets US degrowth and improves profitability.**

- Sales came in at Rs 37.5 bn, +4% yoy.
- EBITDA came in at Rs 8.6 bn, +8% yoy.
- EBITDA margins at 22.8% (+100 bps yoy/+130 bps qoq).
- PAT came in at Rs 7.52 mn, +69% yoy.
- The company has declared dividend of Rs 3.5 per share (350%), resulting in an outgo of Rs 3.58 bn.

#### Key Developments

- US sales -6% yoy Rs 15 bn in Q4FY21, due to low offtake in gASACOL HD, pricing pressure and a weak flu season.
- 14 new launches in Q4, of 30 approvals. The company expects to launch 1 complex injectable in near term.
- Cadila has in-licensed 20 complex generics, off which 2 will have 180 days exclusivity (FTFs).
- Transdermal launches in US post USFDA clearance to Moraiya plant.
- India Sales +18% Rs 17.7 bn growth across Human Health (+15% Rs 10 bn), Wellness (+22% Rs 5.9 bn) and Animal Health (+23% Rs 1.5 bn).
  - a) Human Health Q4FY21 sales +15% Rs 10.3 bn largely volume growth.
  - b) Launch of innovative products for Covid19 namely Remdesvir (lowest price), VIRAFIN (interferon), doing well with increasing acceptance.
  - c) Wellness Q4FY21 sales +22% Rs 6 bn.
  - d) Animal Health – sale of business at Rs 29.2 bn (post tax Rs 19 bn), expect completion by July.

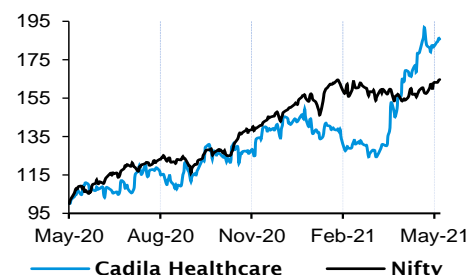
Rating	TP (Rs)	Up/Dn (%)
<b>BUY ON DIPS</b>	<b>715</b>	<b>15</b>

#### Market data

<b>Current price</b>	<b>Rs</b>	<b>621</b>
Market Cap (Rs.Bn)	(Rs Bn)	636
Market Cap (US\$ Mn)	(US\$ Mn)	8781
Face Value	Rs	1
52 Weeks High/Low	Rs	674/334
Average Daily Volume	('000)	7438
BSE Code		532321
Bloomberg		CDH:IN

Source: Bloomberg

#### One Year Performance



Source: Bloomberg

% Shareholding	Mar-21	Dec-20
Promoters	74.88	74.88
FII	5.23	5.24
DII	11.49	11.92
Others	8.4	7.97
<b>Total</b>	<b>100</b>	<b>100</b>

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)	34	42	27	23	22
P/B (x)	6	6	5	4	3
EV/EBITDA (x)	23	25	20	15	14
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

**Charulata Gaidhani**  
(022) 67141446

[charulata.gaidhani@dalal-broacha.com](mailto:charulata.gaidhani@dalal-broacha.com)

- **Emerging markets +42%** Rs 2.5 bn. Launched Pegfilgrastim in Russia during the quarter.
- **Cadila's Zy CovD (Covid19 3 dose vaccine)** Phase III trials are underway and expected to be completed by June, with the expansion of its vaccine facility by end June.
- **VIRAFIN** has been added to the Covid19 treatment by the State Government of Karnataka. Cadila awaits approval from other states and the centre as well.

## Quarterly Highlights

Particulars (Rs mn)	Q4FY21	Q3FY21	Q4FY20	% yoy	% qoq	FY21	FY20	Var %
Net Sales	37562	37537	36272	4%	0%	148215	138121	7%
Other Operating Income	905	419	1249			2807	4410	
<b>Income from operations</b>	<b>38467</b>	<b>37956</b>	<b>37521</b>	<b>3%</b>	<b>1%</b>	<b>151022</b>	<b>142531</b>	<b>6%</b>
Other Income	-403	275	443			372.00	1139	
<b>Total Income</b>	<b>38064</b>	<b>38231</b>	<b>37964</b>			<b>151394</b>	<b>143670</b>	
Raw materials	13440	12935	12597			52101	49200	
Employee Expenses	6209	6286	6090			24902	24145	
Other Expenses	10265	10666	10922			40609	41539	
Total Expenses	29914	29887	29609	1%	0%	117612	114884	2%
<b>EBITDA excl. other income</b>	<b>8553</b>	<b>8069</b>	<b>7912</b>	<b>8%</b>	<b>6%</b>	<b>33410</b>	<b>27647</b>	<b>21%</b>
EBITDA + other income	8150	8344	8355			33782	28786	
Depreciation	1886	1804	1785			7248	6965	
Finance Costs	233	268	825			1635	3418	
<b>PBT</b>	<b>6031</b>	<b>6272</b>	<b>5745</b>	<b>5%</b>	<b>-4%</b>	<b>24899</b>	<b>18403</b>	<b>35%</b>
less: Taxes	-2016	1147	1085			1472	3198	
<b>PAT</b>	<b>8047</b>	<b>5125</b>	<b>4660</b>			<b>23427</b>	<b>15205</b>	
Profit/loss of associate Company	38	155	2			474	288	
Minority interest	564	8	218			-514	-278	
<b>Adjusted PAT</b>	<b>7521</b>	<b>5272</b>	<b>4444</b>	<b>69%</b>	<b>43%</b>	<b>23387</b>	<b>15215</b>	<b>54%</b>
Extraordinary items inc/(exp)	-731	0	-525			-2051	-3636	
<b>PAT after Extraordinary</b>	<b>6790</b>	<b>5272</b>	<b>3919</b>			<b>21336</b>	<b>11579</b>	
Equity	1024	1024	1024			1024	1024	
Face Value	1	1	1			1	1	
Adjusted EPS	7.3	5.1	4.3			22.8	14.9	
EPS incl. extra	6.6	5.1	3.8			20.8	11.3	

**EBITDA margin improvement from lower other expenses**

**Debt repayment reduces interest costs**

**Tax reversal of Rs 2016 mn leads jump in PAT**

Cost Analysis	Q4FY21	Q3FY21	Q4FY20	FY21	FY20	Var %
RMC	36%	34%	35%	35%	36%	
EMC	17%	17%	17%	17%	17%	
Other exps	27%	28%	30%	27%	30%	

Profitability	Q4FY21	Q3FY21	Q4FY20	bps yoy	bps qoq	FY21	FY20	Var %
Gross margin	64.2	65.5	65.3	-105	-132	64.8	64.4	47
EBITDA margin	22.8	21.5	21.8	96	127	22.5	20.0	253
PBT margin	16.1	16.7	15.8	22	-65	16.8	13.3	348
PAT margin	20.0	14.0	12.3	777	598	15.8	11.0	476

Sales by Geography	Q4FY21	Q3FY21	Q4FY20	% yoy	% qoq	FY21	FY20	Var %
USA	15090	16030	16060	-6%	-6%	64484	63044	2%
India - Human Health	10260	11035	8922	15%	-7%	40457	37141	9%
India - Wellness	5984	3757	4899	22%	59%	18409	17668	4%
India - Animal Health	1476	1634	1199	23%	-10%	5973	5610	6%
Others	5657	5500	6441	-12%	3%	22117	15068	47%

**Growth in India across human health, wellness and animal health offsets US degrowth.**

Source: Dalal & Broacha Research, Company

## Valuation & Outlook

Cadila Healthcare has grown across human health, wellness and animal health in India, offsetting degrowth in the US due to price erosion, a weak flu season 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 will grow through its innovative Covid19 basket with Remdesvir, VIRAFIN, Amphotericin and Zy CovD, subject to approval.

We have revised our estimates for Sales/EBITDA/PAT by -4%/3%/5% for FY22E and -3%/3%/5% for FY23E, in view of the delays in vaccination programs in India and improved profitability due to the lockdown and lower interest costs. At Rs 620, Cadila Healthcare trades at 22x FY23E EPS of Rs 28.6. We have valued Cadila Healthcare at 25x FY23E EPS and arrived at a target price of Rs 715. **We revise our rating from ACCUMULATE to BUY on Dips.**



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Name	Designation	Email	Phone	Sector
Mr. Kunal Bhatia	Head of Research	<a href="mailto:kunal.bhatia@dalal-broacha.com">kunal.bhatia@dalal-broacha.com</a>	022 671 41442	Auto   Auto Ancillary   FMCG
Mrs.Charulata Gaidhani	Sr. Analyst	<a href="mailto:charulata.gaidhani@dalal-broacha.com">charulata.gaidhani@dalal-broacha.com</a>	022 671 41446	Pharma   Healthcare
Mr. Mayank Babla	Sr. Analyst	<a href="mailto:mayank.babla@dalal-broacha.com">mayank.babla@dalal-broacha.com</a>	022 671 41412	IT   Telecom   Media
Mr. Avinash Tanawade	Sr. Analyst	<a href="mailto:avinash.tanawade@dalal-broacha.com">avinash.tanawade@dalal-broacha.com</a>	022 671 41449	BFSI
Mr. Akshay Ashok	Analyst	<a href="mailto:akshay.ashok@dalal-broacha.com">akshay.ashok@dalal-broacha.com</a>	022 671 41486	BFSI
Ms. Timshar Dhamodiwala	Associate	<a href="mailto:timshar.dhamodiwala@dalal-broacha.com">timshar.dhamodiwala@dalal-broacha.com</a>	022 671 41441	IT   Telecom   Media

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400021.

Tel: 91-22- 2282 2992, 2287 6173, Fax: 91-22-2287 0092

E-mail: [equity.research@dalal-broacha.com](mailto:equity.research@dalal-broacha.com)