



Cadila Healthcare (Cadila) has received emergency use authorisation (EUA) for ZY CovD. The company expects supplies from October'21 to address the robust demand from adolescents, adults and senior citizens.

#### KTAs from the concall

- Zy Cov D is India's first vaccine to be developed on a plasmid DNA platform.
- ZyCoV-D is a three-dose vaccine with dosage at day 0/28/56.
- The vaccine requires storage of 2-8 degrees.
- ZyCoV-D is the only approved vaccine in India for adults and children 12-18 years old. There is an unvaccinated population of 40 crore in the 12-18 years age group.
- Cadila has capacity to manufacture 1 crore doses of ZyCoV-D per month. The vaccine has a low production cycle of 4 days for drug substance.
- The management is confident of strong demand for ZyCoV-D from adolescents and adults, with supplies 1 cr doses per month from October.

#### Affordable pricing for ZyCoV-D

- Cadila is in talks with the Government of India regarding pricing for ZyCov-D.
- Assuming a price of Rs 250 per dose and supplies of 2 crore doses in Q3FY22 and 3 cr doses in Q4FY22, we estimate sales of Rs 12.5 bn for FY22.
- We believe vaccination for Covid19 will be ongoing with booster shots required annually/six monthly.

Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Net sales	127484	138121	148215	176171	186232
EBITDA	29775	27647	33410	43366	46369
Adjusted net profit	18532	15215	23387	28356	30428
Free cash flow	7999	14104	24933	-9311	4629
EPS (Rs)	18.1	14.8	22.9	27.5	29.7
growth (%)	5%	-18%	54%	20%	8%
P/E (x)	30	37	24	20	18
P/B (x)	5	5	4	3	3
EV/EBITDA (x)	21	22	18	13	12
D/E	0.7	0.7	0.3	0.2	0.2
RoIC (%)	11%	10%	13%	15%	15%
RoE (%)	18%	15%	18%	16%	15%
Dividend yield (%)	1	1	1	1	1

Source: Company

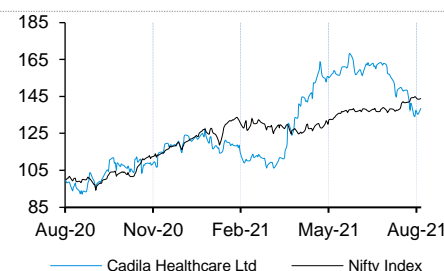
Rating	TP (Rs)	Up/Dn (%)
BUY	714	31

#### Market data

Current price	Rs	547
Market Cap (Rs.Bn)	(Rs Bn)	272
Market Cap (US\$ Mn)	(US\$ Mn)	3667
Face Value	Rs	1
52 Weeks High/Low	Rs	673/358
Average Daily Volume	('000)	5400
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
<b>Total</b>	<b>100</b>	<b>100</b>

Source: BSE

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## KTAs contd...

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- Cadila will conduct a trial for a 2 dose vaccine for Covid.
- The company will also conduct a trial for children below 12 years over 3-4 months.
- The company will focus on ZyCoV-D supplies to India and then work on exports to WHO and other Asian countries.

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## Valuation & Outlook

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ZyCoV-D EUA approval to Cadila marks a milestone with superior technology. Being the only vaccine for adolescents in the Indian market, supplies will ensure faster vaccination and reaching herd immunity.

In India, Cadila has benefitted from its innovative Covid19 basket with Remdesvir, VIRAFIN, Amphotericin and Zy CovD. We believe Cadila will emerge as an innovative player in medicine.

Cadila Healthcare has grown across human health and wellness in India, offsetting 11% degrowth in the US in Q1FY22 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. The recent USFDA approvals to limited competition products indicate a healthy pipeline of US launches in the near term. We have marginally revised FY23 estimates for Sales/EBITDA/PAT by 1%/3%/4%.

At Rs 547, Cadila Healthcare trades at 18x FY23E EPS of Rs 29.7. We have valued Cadila Healthcare at 24x FY23E EPS and arrived at a target price of Rs 714.

**We maintain BUY.**

## Financials

P&L (Rs mn)	FY19	FY20	FY21	FY22E	FY23E	Cash Flow St. (Rs. mn)	FY19	FY20	FY21	FY22E	FY23E
Net Sales	127484	138121	148215	176171	186232	Net Profit	18532	15215	23387	28356	30428
Other Operating Income	4172	4410	2807	2947	3095	Add: Dep. & Amort.	5986	6965	7248	7800	9120
Income from Operations	131656	142531	151022	179118	189327	<b>Cash profits</b>	24518	22180	30635	36157	39548
Raw materials	47224	49200	52101	61660	61457	(Inc)/Dec in					
Employee costs	21241	24145	24902	27392	30131	-Sundry debtors	-3027	-1010	-4472	-11077	70
Other Expenses	33416	41539	40609	46700	51370	-Inventories	-7445	2876	5359	-7340	-2205
<b>Cost of sales</b>	<b>101881</b>	<b>114884</b>	<b>117612</b>	<b>135752</b>	<b>142958</b>	-Loans/advances	3348	100	0	0	0
<b>Operating Profit</b>	<b>29775</b>	<b>27647</b>	<b>33410</b>	<b>43366</b>	<b>46369</b>	Other curr. Assets	-3961	-150	-1798	-1898	-2183
Depreciation*	5986	6965	7248	7800	9120	-Sundry creditors	342	1084	1749	4922	-1265
<b>PBIT</b>	<b>23789</b>	<b>20682</b>	<b>26162</b>	<b>35565</b>	<b>37248</b>	-Others	6234	2646	1876	1723	1841
Other income	2011	1139	372	1319	2219	Change in working capital	-4060	5717	2853	-33671	-18742
Interest	1935	3418	1635	747	747	<b>CF from Oper. activities</b>	20458	27897	33488	2486	20806
<b>Profit before tax</b>	<b>23865</b>	<b>18403</b>	<b>24899</b>	<b>36138</b>	<b>38720</b>	<b>CF from Inv. activities</b>	-57188	-6827	-8460	-21768	-17699
Provision for tax	5303	3198	1472	7950	8519	<b>CF from Fin. activities</b>	29040	-16900	-25071	19759	625
<b>PAT Bfr Excep Items</b>	<b>18562</b>	<b>15205</b>	<b>23427</b>	<b>28188</b>	<b>30202</b>	<b>Cash generated/(utilised)</b>	-7690	4170	-43	478	3732
Extraordinary Items	0	-3636	-2051	18987	0	Cash at start of the year	13149	5489	9649	9646	9955
Minority Interest	-499	-278	-514	-400	-400	Cash at end of the year	5489	9649	9646	9955	13687
Share of Profit	469	288	474	569	626						
<b>Reported PAT</b>	<b>18532</b>	<b>15215</b>	<b>23387</b>	<b>28356</b>	<b>30428</b>						

Balance Sheet	FY19	FY20	FY21	FY22E	FY23E	Ratios	FY19	FY20	FY21	FY22E	FY23E
Equity capital	1024	1024	1024	1024	1024	OPM	23.4	20.0	22.5	24.6	24.9
Reserves	102839	102733	128899	176237	206660	NPM	14.5	11.0	15.8	16.1	16.3
<b>Net worth</b>	<b>103863</b>	<b>103757</b>	<b>129923</b>	<b>177261</b>	<b>207684</b>	Tax rate	22.2	17.4	5.9	22.0	22.0
Minority interest	12929	13347	19373	19773	20173	<b>Growth Ratios (%)</b>					
<b>Total debt</b>	<b>72193</b>	<b>70865</b>	<b>37345</b>	<b>37345</b>	<b>37345</b>	Net Sales	7%	8%	7%	19%	6%
Deferred Tax liab	3060	2390	2081	2289	2518	Operating Profit	5%	-7%	21%	30%	7%
Other liab	26	17	10	11	12	PAT	5%	-18%	54%	20%	8%
<b>CAPITAL EMPLOYED</b>	<b>192071</b>	<b>190376</b>	<b>188732</b>	<b>236679</b>	<b>267732</b>	<b>Per Share (Rs.)</b>					
Gross block	77296	85780	94006	104006	114006	Net Earnings (EPS)	18.1	14.8	22.9	27.5	29.7
Accumulated depreciation	26237	31258	38506	46306	55427	Cash Earnings (CPS)	24.0	21.7	30.0	35.1	38.6
<b>Net block</b>	<b>51059</b>	<b>54522</b>	<b>55500</b>	<b>57700</b>	<b>58579</b>	Dividend	3.5	7.0	3.5	5.0	5.0
Capital WIP	8372	7415	7832	10000	10000	Book Value	101.4	101.3	126.9	173.1	202.8
<b>Total fixed assets</b>	<b>59431</b>	<b>61937</b>	<b>63332</b>	<b>67700</b>	<b>68579</b>	Free Cash Flow	7.8	13.8	24.3	-9.1	4.5
<b>Intangible Assets</b>	<b>17688</b>	<b>13868</b>	<b>12363</b>	<b>15868</b>	<b>16868</b>	<b>Valuation Ratios</b>					
Goodwill	52890	53915	53465	58812	64693	P/E(x)	30	37	24	20	18
Other non current assets	2398	1575	2044	2146	2254	P/B(x)	5	5	4	3	3
Investments	4436	5522	5549	6104	6714	EV/EBIDTA(x)	21	22	18	13	12
Other fin assets	11942	11389	13262	13262	13262	EV/SALES(x)	5	4	4	3	3
Inventories	26880	27890	32362	43439	43369	Div. Yield(%)	1	1	1	1	1
Sundry debtors	39508	36632	31273	38613	40818	<b>FCF Yield(%)</b>	1	3	4	-2	1
Cash & bank	5489	9649	9646	9955	13687	<b>Return Ratios (%)</b>					
Loans & advances	100	0	0	0	0	ROIC	11%	10%	13%	15%	15%
Other current assets	10705	10855	12653	14551	16734	ROE	18%	15%	18%	16%	15%
Sundry creditors	19226	20310	22059	26981	25715	ROCE	14%	12%	16%	17%	15%
Current Liabilities	20336	21396	21662	22745	23882	ROA	8%	7%	11%	10%	10%
Provisions	3198	4784	6394	7033	7737						
<b>Working capital</b>	<b>36732</b>	<b>31015</b>	<b>28162</b>	<b>61833</b>	<b>80575</b>						
Deferred Tax Assets	1065	1506	909	1000	1100						
<b>CAPITAL DEPLOYED</b>	<b>192071</b>	<b>190376</b>	<b>188732</b>	<b>236679</b>	<b>267732</b>						

Source: Dalal &amp; Broacha Research, Company



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