

Cadila Healthcare

BUY

Firing on all engines

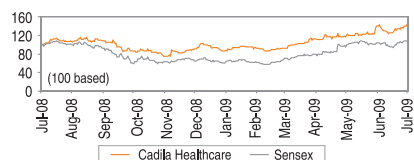
Current price: Rs402

Q1FY10 RESULTS

Period Ending	Q1FY09	Q2FY09	Q3FY09	Q4FY09	Q1FY10	yoy (%)	qoq (%)
Total revenue	7,141	7,409	7,491	7,234	9,035	26.5	24.9
EBITDA	1,617	1,525	1,424	1,492	2,113	30.7	41.7
Interest	148	99	233	440	229	54.9	(47.9)
Depreciation	246	259	299	314	296	20.5	(5.7)
Other Income	3	1	7	43	42	1407.1	2.5
Profit before tax	1,226	1,167	899	781	1,630	32.9	108.7
Extraord. inc/(exp)	(132)	(132)	(18)	(94)	(99)		6.1
Taxation	123	101	284	158	242	96.6	53.2
Reported net income	897	949	605	580	1,248	39.1	115.2
Recurring net income	1,014	1,068	617	652	1,331	31.3	104.2

Source: BRICS Research

PRICE PERFORMANCE



Source: Bloomberg

KEY DATA

Bloomberg	CDH IN
Reuters	CADI.BO
52-wk hi/lo (Rs)	402/206
6-m avg vol	US\$0.1mn
Mkt cap	Rs55bn/US\$1.1bn
Shares outstanding	136mn
Face value	Rs5

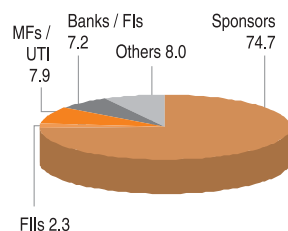
Source: Bloomberg

KEY FINANCIALS

Y/E Mar	FY08	FY09	FY10E	FY11E
Revenue	23,213	29,275	34,278	39,845
Net income	2,500	3,338	4,313	5,154
EPS (Rs)	19.9	24.5	31.6	37.8
% Chg yoy	18.8	22.9	29.2	19.5
P/E (x)	20.2	16.4	12.7	10.6
EV/E (x)	13.6	10.8	8.5	6.9
Dividend yield (%)	1.4	1.5	2.0	2.2
RoCE (%)	15.9	17.6	18.9	19.9
RoE (%)	25.9	28.4	29.7	28.5

Source: BRICS Research, Company data

SHAREHOLDING PATTERN (%)



Source: Bloomberg

- ❑ Cadila Healthcare reported 31% yoy growth in recurring consolidated net profit to Rs1.3bn in Q1FY09 on the back of 26.5% yoy growth in revenue to Rs9bn. The performance was led by export formulation segment which reported 66% yoy growth to Rs3.3bn and Hospira JV. EBITDA margin improved 192bps to 21.4% due to favourable revenue mix.
- ❑ On export formulation front, US business reported 81% yoy growth to Rs1.5bn. Revenue from France grew 39% yoy to Rs638mn. The newly acquired Simayla Pharma in South Africa and Laboratorios Combix reported revenue of Rs168mn and Rs39m respectively. Also, the Cadila-Hospira JV - that has started to supply three formulations to Hospira - registered revenue of Rs234mn and profit of Rs64mn for Cadila. Excluding the two acquisitions and revenue from Hospira JV, export formulation grew 44% yoy. APIs export grew 27% yoy to Rs783mn due to strong revenue from Altana JV at Rs694mn.
- ❑ Domestic formulation business - Cadila's largest revenue contributor - grew 13% yoy to Rs3.7bn. Domestic consumer business grew 28% yoy to Rs642mn during the quarter. Domestic API business reported 51% yoy decline due to higher captive consumption.
- ❑ EBITDA margin expanded 192bps yoy in the quarter to 21.4% due to favourable revenue mix. Revenue from high margin Altana JV contributed 7.7% to total revenue v/s 4% a year ago. Formulation business contributed 79% to total revenue v/s 76% a year ago. Interest cost rose sharply by 55% yoy to Rs229mn due to increase of debt by ~Rs4bn yoy (for funding acquisitions). Resultantly, recurring net profit grew 31% yoy to Rs1.3bn.
- ❑ At 10.6x FY11E EPS, the stock is at a 30% discount to its peers like DRL, Sun Pharma, Cipla etc, which trade at average FY11E P/E of 14x.
- ❑ 1) Leadership position in domestic formulation business, 2) increasing revenue from export formulation business, 3) strong revenue from Nycomed JV, and 4) fast growing consumer healthcare business make Cadila an attractive investment candidate. BUY.

Sensex trades between previous day's high/low

Technical View

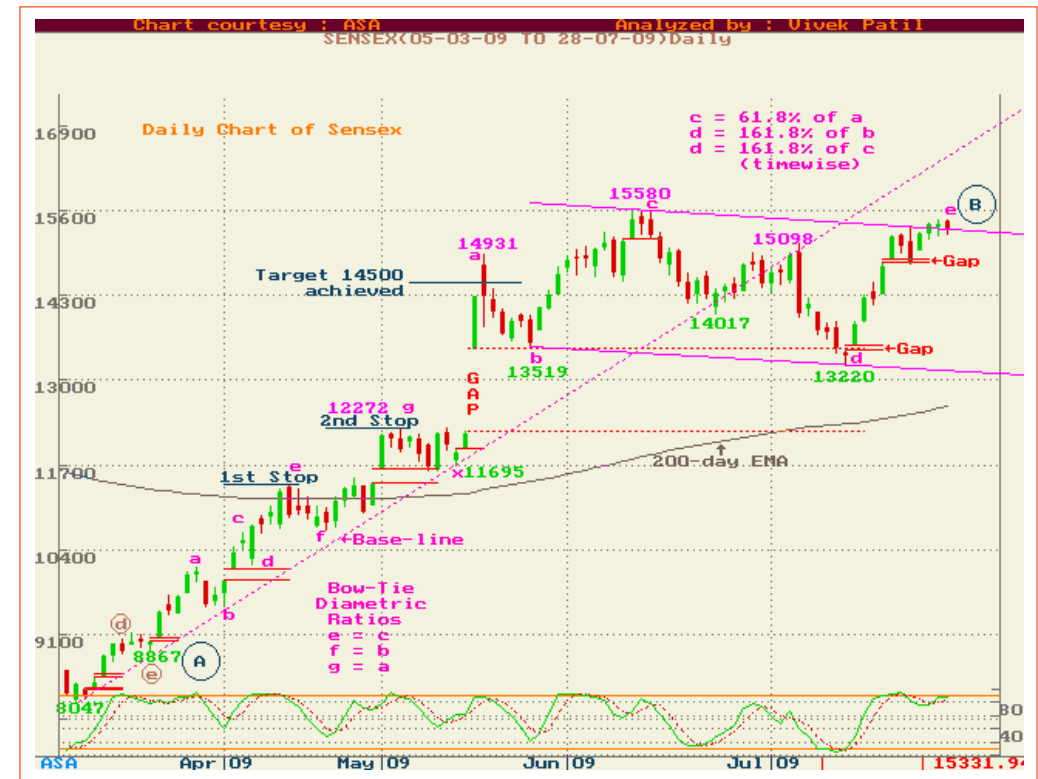
Yesterday, we expected range-trading between high-low of previous day. Initially failing to move above previous day's high of 15463, Index dipped as suspected. Down 214, it did not break previous day's low of 15228, and reversed from 15240, back to high of 15463, but only to lose 161 points again. The net result after 600-point see-saw was a marginally negative close. Realty Index, however, did well, up 3%. A/D ratio was positive 2:1. The action formed a Counter Attack Bear (CAB) pattern, indicating some players taking profit near the previous resistance of 15600, which is now less than 150 points away.

It is now for the Bulls to protect the Index from bearish follow-up to the candle. Their success would require holding low above 15228, and also sustainable trading above its high of 15463. Else, bears would get aggressive. A rough range of 15228 to 15463 could, therefore, be a battleground. A move beyond, can generate roughly 235-points.

Slow Stochastics oscillator stands in an overbought zone, and is still on a negative divergence. Its last week's value should be broken below to confirm such a divergence. We may watch if that positioning can generate a bearish follow-up to CAB today, and trade accordingly. On downside, watch around 15228. Failure to hold it can see 15100-50, which will be 61.8% of last Wednesday's 583-point drop.

Supportive effort seen during the last three days gives way to another scenario wherein Index makes a final dash toward 15600 or beyond, but only to exhaust itself. The "e" leg would be ending with this. Time-wise, this can happen on Thursday (13th Day) or Monday. Meanwhile, yesterday's contention of range-trading can continue until we see a bigger fall than 583 points.

Chart: BSE Sensex



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