

Cadila Health Care Ltd

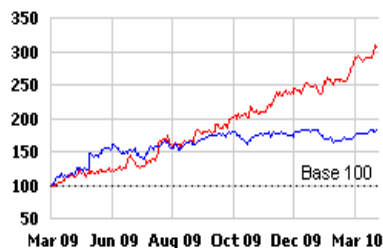
BUY

C.M.P:
Rs.819.00

Target Price:
Rs.940.00

March 29, 2010

1 Year Comparative Graph

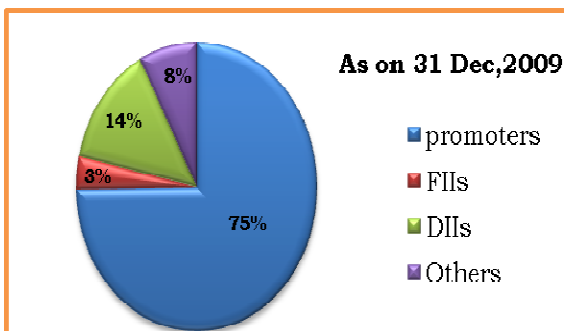


Cadila HC Ltd **BSE SENSEX**

Stock Data

Sector	Pharmaceuticals
Face Value (Rs.)	5.00
52 wk. High/Low (Rs.)	853.70/255.25
Volume (2 wk. Avg.)	20735
BSE Code	532321
Market Cap (Rs.mn.)	111777.12

Share Holding Pattern



V.S.R. Sastry
Equity Research Desk
vsrsastry@firstcallindiaequity.com

Dr. V.V.L.N. Sastry Ph.D.
Chief Research Officer
drsastry@firstcallindia.com

SYNOPSIS

- Cadila Healthcare (CHL), the flagship company of the Zydus Cadila group, is the fourth largest company in the domestic pharmaceutical market. The company provides total healthcare solutions ranging from formulations, active pharmaceutical ingredients (APIs), vaccines, herbals to cosmeceuticals.
- Zydus Cadila begins Phase II and III clinical trials of its H1N1 vaccine.
- The company fixes Record Date for Bonus Issue.
- The South Africa based Simayla has now become a 100% subsidiary of the Zydus Group.
- Cadila Healthcare gets CRISIL re affirmation on rating.
- The company's top line and bottom line are expected to grow at a CAGR of 25% and 31% over FY08 to FY11E.

Financials	FY08	FY09	FY10E	FY11E
Net Sales	22660	29275	38510	44287
EBIDTA	4607	6261	8449	9440
PAT	2690	3272	5391	5999
EPS	20.51	22.22	38.25	43.96
P/E	39.93	36.86	21.41	18.63

Financials	Dec08	Dec09	% Change
Net sales	7491.00	9909.60	32
Net profit	605.30	1297.7	114
EPS	4.82	9.50	97

➤ **Fixes Record Date for Bonus Issue**

Board of Directors of the Company at its meeting held on April 06, 2010 as Record Date for the purpose of determining the members entitle to Bonus equity shares as recommended by the Board and approved by the shareholders in proportion of one new equity share of Rs. 5/- each fully paid-up for every two equity shares of Rs. 5/- each fully paid-up held by them.

➤ **Cadila Healthcare gets CRISIL re affirmation on rating**

CRISIL has reaffirmed the rating to Cadila Healthcare after due consideration. The rating agency has reaffirmed the P1+ rating for the 1,250 million short term debt programme of the company. This rating indicates that the degree of safety with regard to timely payment of interest and principal on the instrument is very strong.

Investment Rationale

• **Zydus Cadila begins Phase II and III clinical trials of its H1N1 vaccine**

The company has commenced the Phase II and III clinical trials of its H1N1 vaccine after the successful completion of Phase I of clinical trials of its H1N1 vaccine in which the vaccine was found safe, effective and well tolerated.

The group will submit the results of the multicentric trials, which are currently underway at Ahmedabad, Bangalore, Jaipur and Pune, to the DCGI for marketing approval.

• **Simayla becomes 100% subsidiary of Zydus Cadila**

The South Africa based Simayla has now become a 100% subsidiary of the Zydus Group. Zydus Healthcare SA (Proprietary), a 100% subsidiary company of Cadila Healthcare, which was already having a majority stake of 70%, has acquired the remaining 30% shareholding of Simayla Pharmaceuticals (Proprietary) from the co-promoters.

The company looks forward to consolidating their position in this key market and contributing to the healthcare community in South Africa in a meaningful way. They will be stepping up their plans for growth in line with their global strategies and looking at long term initiatives that reaffirm their commitment of being an ethical healthcare provider.

Valuation

At the market price of Rs.819.00 the stock trades at 21.41 x and 18.63 x for the earnings of FY10E and FY11E respectively. Earning per share (EPS) of the Company for the earnings of FY10E and FY11E is seen at Rs.38.25 and Rs.43.96 respectively for equity share of Rs.5.00 each. On the basis of EV/EBDITA, the stock trades at 14.82 x and 14.80 x for FY10E and FY11E respectively. The price to book value of the company is expected to be at 6.36 x and 4.74 x for FY10E and FY11E respectively. So we recommend **'BUY'** in this particular scrip with a target price of **Rs.940.00** for Medium to long term investment.



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For Further Details Contact:

3rd Floor,Sankalp,The Bureau,Dr.R.C.Marg,Chembur,Mumbai 400 071

Tel. : 022-2527 2510/2527 6077/25276089 Telefax : 022-25276089

E-mail: info@firstcallindiaequity.com

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