

# CADILA HEALTHCARE - Still Carrying The Burden of The High Base Last Year

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## Abstracts

Cadila's Q2 FY12 result was below our estimate (adjusted to forex) only due to the lower than expected sales. The EBITDA margin decline of 275 bps was fully explained by the non-cash forex losses and integration of the acquired Neshier financials that is EBITDA neutral. In other words, muted sales growth of 10.7% (organic 7.3% growth- ex-Neshier and ex-Bremer) is the main culprit for a modest earning.

While there were specific reasons for muted growth in markets like India and Emerging Markets, we believe that the growth is still impacted due to the high base created in FY11 by pushing product sales across all the markets. We thus do not see any structural issues with Cadila. In addition, USFDA approval of its Baddi facility comes as a big relief in light of the ban on its Ahmedabad based injectable facility.

We reduce our FY12 earnings by 10% and FY13 by 11%. We thus reduce our target price by 10% to Rs. 792. We thus reiterate our Market Perform rating.

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### COMPANIES MENTIONED

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