



**INSTITUTE OF MANAGEMENT,  
NIRMA UNIVERSITY**

**PHASE-II REPORT (SIP)  
CADILA PHARMACEUTICALS**

**Submitted to  
Prof. Balakrishnan Unny**

**BY  
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## **Acknowledgement**

Working in the Cadila Pharmaceuticals was very interesting though it was in online mode rather than offline mode where we can contact directly and learn a lot of things. I learnt a lot of things about the working of GST, things about Cadila and had done some project on the financial analysis, how to calculate fair value of equity using DCF, tracing historical data of the company and doing forecasting on the basis of historical data. It was very grateful to work with Cadila Pharmaceuticals.

I am grateful to the people in the Cadila pharmaceuticals like Saurabh Shah and Johnson Mathew for giving me this opportunity. I also like to thank Institute of Management, Nirma university and Placement Committee to provide me such good opportunity and a chance to work under a company like Cadila. Other than this, I also want to thank other interns who did this internship along with me for their help.

At last, I want to thank my faculty mentor, Prof. Balakrishnan Unny at Institute of Management, Nirma university who helped me a lot during my internship.

Akhilesh joshi  
(201403)

## **Executive Summery**

The topic for the project during our internship in Cadila Pharmaceuticals was Financial Research and Analysis, where we get a chance to calculate, analyze, and forecast the data of different pharma companies. At first, we get a chance to work on the ongoing topic, Coronavirus, where they asked us how can we improve the number of vaccinations in our country and how can we rapidly increase the production of Covid-19 vaccines, how can we vaccinate a large number of people in less and less time and what other things we can do so that more and more people get vaccinated. After that, they gave us some project that are more related to our topic of project such as financial modelling of a company, doing business valuation of a company using fair value of equity by DCF method. Here, we took a registered company and their financial data such as balance sheet, profit and loss account and income statement and after analyzing all that data, we did forecast for 3 years in future.

## **Cadila Pharmaceuticals**

Cadila Pharmaceuticals Ltd. is one of the largest privately-held pharmaceutical companies in India. The headquarter of Cadila pharmaceuticals is situated in Ahmedabad, Gujarat. It was founded by Indravadan Modi in the year 1951 with his childhood friend Raman-Bhai Patel. The company's integrated operations focus on manufacturing products ranging from API's-Intermediates, finished formulations, OTC-Food Supplements, Biotechnology Products and pharmaceutical Machinery. The company's international operation of is spread across 58 countries including the Americas, Japan, Asia, CIS and Africa. In the year 1951, the company started their journey with the capital of 25,000 and they achieved a target of 1.25 lakh in its first year of operation. Cadila Pharmaceuticals has its formulation manufacturing facilities at Dholka in Gujarat; Samba in Jammu and at Addis Ababa (Ethiopia) and 2 API manufacturing facilities are located at Ankleshwar in Gujarat.

### **Awards**

Cadila pharmaceuticals was awarded by Most trusted companies of 2008, Sara Media and Zee Business. They also get Worldstar packaging award, 2018, TISS Leap Vault CLO award, 2019 etc.

### **Vision**

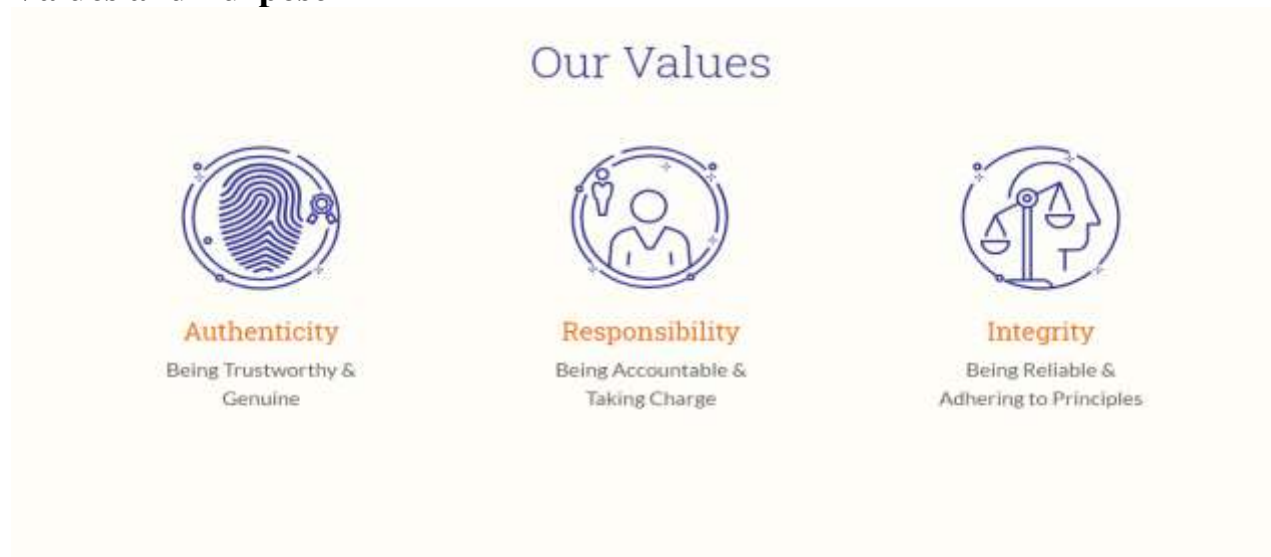
Our vision is to be a leading pharmaceutical company in India and to become a significant global player by providing high quality, affordable and innovative solutions in medicine and treatment.

### **Mission**

We will discover, develop and successfully market pharmaceutical products to prevent, diagnose, alleviate and cure diseases. We shall provide total customer satisfaction and achieve leadership in chosen markets, products and services across the globe, through excellence in technology, based on world-class research and development.

We are responsible to the society. We shall be good corporate citizens and will be driven by high ethical standards in our practices.

## Values and Purpose



## Our Purpose

Our purpose underpins everything we do. It gives us the motivation to make a deep impact on society through the work we do. It helps us deliver startling benefits to patients and create value for all our shareholders. This sets a meaningful context for all working in Cadila thereby making them ambassadors of global wellness.

In the course of our activities and the pursuit of our goals, we make sure that the end beneficiaries of our work are patients. We exist to ease out their suffering, cure what can be cured, manage their diseases and improve their quality of life.

With the motive to make medicines accessible to all Indians at an affordable cost, Cadila plays a crucial role by formulating drugs in India. This mission has grown wings and we are today catering to the healthcare needs of over 85 countries worldwide.

All our research and development activities are focused on finding cures to complex diseases. This goal is integral to our drive for achieving success in our research initiatives.

In all that we do, our values guide our decision-making, define our beliefs and foster a strong 'intrapreneurial' culture at Cadila.

## **Products and services offered by Cadila Pharmaceuticals**

Cadila is one of the top Active Pharmaceuticals Ingredient (API) manufacturing companies in the world, and one of the few pharmaceutical companies that is vertically-integrated with a very strong and independent positioning in both the API and the Formulations markets.

Spread over 80,000 sq. meter area, our API manufacturing facility at Ankleshwar, Gujarat is globally accredited by US FDA, ISO 9001:2008, COFEPRIS, PMDA Japan, EDQM Europe, TGA Australia, WHO Geneva, etc. Recognized as the world's top API supplier, our cost competitiveness and quality obsession has been a critical influence in driving our profitability and growth in the formulations market as well.

Our diversified portfolio in APIs caters to over 90 countries. At present, we offer over 38 APIs and intermediates across various therapeutic categories – respiratory, diabetology, gastroenterology, pain management (antimigraine), orthopedics and many more. With 31 Drug Master Files and 12 Certificates of Suitability and many more in the pipeline, we are confident of building an unmatched API portfolio in the world.

## **Part- B (About the Projects)**

### **About the Projects**

#### **1. Short report on the ideas for increasing Covid vaccination.**

The first project given to us by Cadila pharmaceuticals was to prepare a report on the ideas for increasing Covid vaccination in our country. After watching the initial rate of Covid vaccination, we have to prepare a report where we have to come up with some new ideas on “how to increase the Covid vaccination”. We are a team of 3 people where we were given different topics related to this topic such as mass manufacturing of Covid Vaccines, how to manage the funds and accounts to create more vaccines and finally how to distribute these vaccines at a fast rate so that more and more people can get the Covid Vaccines. We prepared a report where we came up with some ideas like to increase production, Serum institute of India and Bharat Biotech can create a deal or can partner with some other institutes and pharmaceuticals company to create more and more vaccines in short time. This way both the companies can make profit for themselves and at the same time more and more people will get vaccinated. The other idea was that these big companies can acquire small pharmaceuticals companies to increase their production. This way they can produce these vaccines in other states of our country to solve the shortage of vaccines. Next idea that was given to increase distribution of Covid vaccines to create a deal or acquire online medical stores such as 1mg, netmeds etc.

#### **2. PPT on the topic “distribution methods for Covid Vaccines”**

The next project that was given by Cadila Pharmaceuticals to us was to make a PPT on the new and innovative ideas for the distribution methods for Covid Vaccines to make the distribution of vaccine faster. The distribution ways given by me was vaccination process in the private hospitals to improve faster distribution and also to make profit for the medical companies. This way both private hospitals and pharmaceuticals companies can make money for themselves and people in big cities don't mind for some charge for vaccination.

More ways were online medical websites and private vaccination centers to improve the process of distribution of vaccines. Serum institute of India and Bharat Biotech who produce Covishield and Cowaxin can make a deal with online medical websites so that they will deliver the vaccines from door to door. As people don't want to move out of their houses in this tough time, this can be a good idea to help people as well as to create a lot of money. The next idea was to open private vaccination centers in every district by the permission of Central government where local pharmacist will vaccinate all the people in the surrounding area and they will charge an amount in exchange of it.

### **3 Report on “GST implication on taxable and non-taxable and ITC reversal”**

The next project given to us was to make a report on the topic “GST implication on taxable and non-taxable and ITC reversal”. On the topic, we made a report where we explained all the topic given to us right from the implication of GST on taxable items, non-taxable items, ITC reversal on both Taxable and non-taxable items with examples given for every topic explained. The other topic that was given to us at the same time was to make a report on the financial statement of a pvt. Ltd. Company. We were assigned 2 different topics from which we can choose what we have to do. I get to make the report on the above topic where we explained all the topics related to GST and ITC reversal in detail. First, we explained some important topics such as what is GST and history of GST, then we talked about various slabs and some products that comes under those slabs and at last I talked about ITC, ITC reversal, documents needed for ITC reversal and other things related to it.

### **4 PPT on the same topic “GST implication on taxable and non-taxable and ITC reversal”**

After submitting the report on the topic “GST implication on taxable and non-taxable and ITC reversal”, they told us to make a PPT on the same topic. This time we have to make it more presentable. The next important thing was while making report, we have to submit the report individually but this time, we were divided into groups and we have to make PowerPoint presentation on the same topic but now work as a group.



## **Financial Modeling of a company (Sequent Scientific limited)**

The next project which was given to us was to take the data of a company and create a financial modeling from that data. After that, analyze the data that forecasted in the excel sheet using financial modelling. In this project, first we have to collect financial information of Sequent Scientific limited from their annual report or from other financial websites such as yahoo finance, Moneycontrol etc. Then after using cleaning, forecasting and using financial modelling on the financial data, we have to analyze the valuation of the company and analyze the company position in the market.

### **Objectives**

- To collect the financial information of a company from various sources.
- To clean all the data, use financial modeling and forecast the data.
- Analyze the final data and see the value of company in the market.

### **Method Used**

The method used for this project was to first find all the necessary information such as financial data of Sequent Scientific limited, then after that clean all the financial data and present all that in a good manner. After that, using forecasting method and by looking at the historical data of Sequent Scientific limited, predict the upcoming financials of upcoming 3 years and apply all knowledge in knowing the position of the company and comment on it.

# Final Project

Here is the final project which we analyze and came across about the Sequent Scientific limited.

**Project name – Financial modelling And Analysis**

## Analysis and Discussions

### SeQuent in Early Days:

- Multiple business domains including animal health
- Price-sensitive, spot business
- API-led strategy
- Volume driven
- Emerging markets footprint

### SeQuent Now:

- Focus on building business around Animal health domain
- Unique, integrated strategy with focus on both APIs and Formulations
- Supported by focused R&D and compliant manufacturing
- API focus realigned to regulated markets
- Leverage big pharma relationship
- Divest non-core businesses
- Recapitalized business for growth

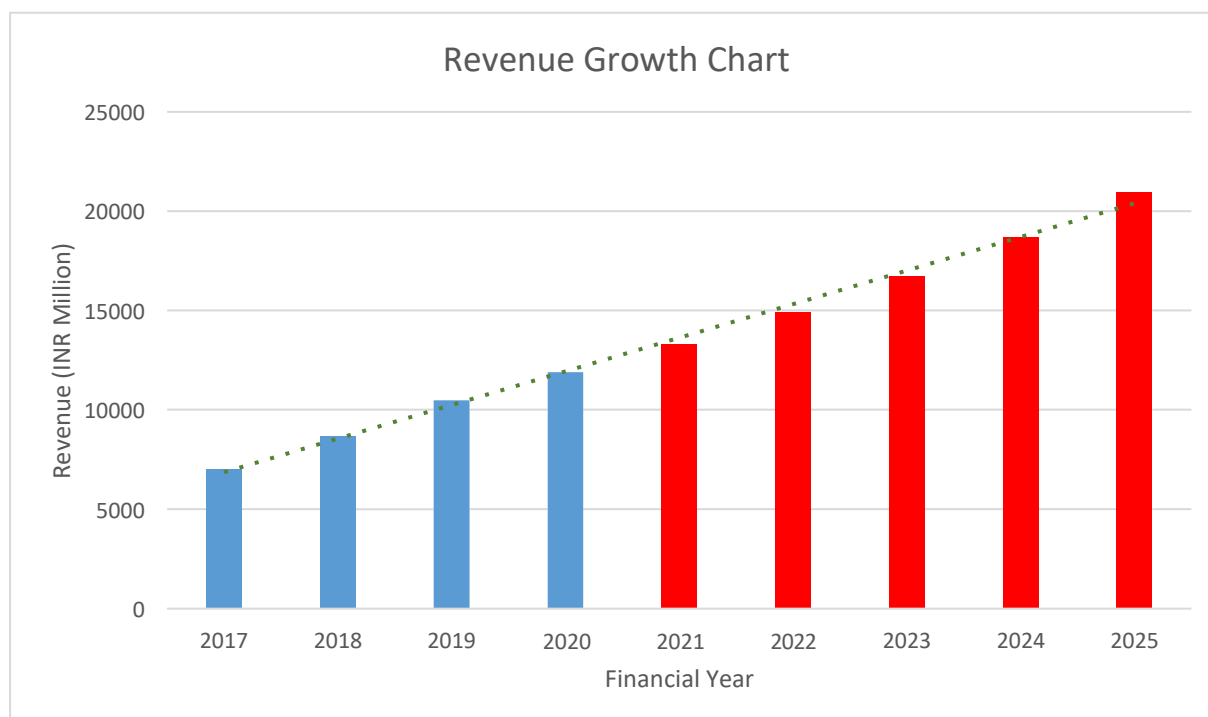
## Revenue Growth:

Revenue growth illustrates sales increases/decreases over time. It is used to measure how fast a business is expanding. More valuable than a snapshot of revenue, revenue growth helps investors identify trends in order to gauge revenue growth over time.

Global animal health industry is predicted to grow at a CAGR of 4.8% to reach US\$ 45 billion by 2025 with Production animal segment continue to have the larger share.

The global veterinary API manufacturing market is expected to grow at a compound annual growth rate of 6.9% from 2021 to 2028 to reach USD 10.4 billion by 2028.

Since the company is both into animal healthcare and API manufacturing, hence **the growth rate is expected to be near about 12% (assumed).**



Investing in research and development (R&D) activities to come up with improved product offerings and acceptance of advanced technologies by the company in order to transform the animal healthcare sector resulted in the market expansion.

**SeQuent's strategic capacity building, fast expanding market coverage and differentiate products driven by innovation enable them to outperform the industry.**

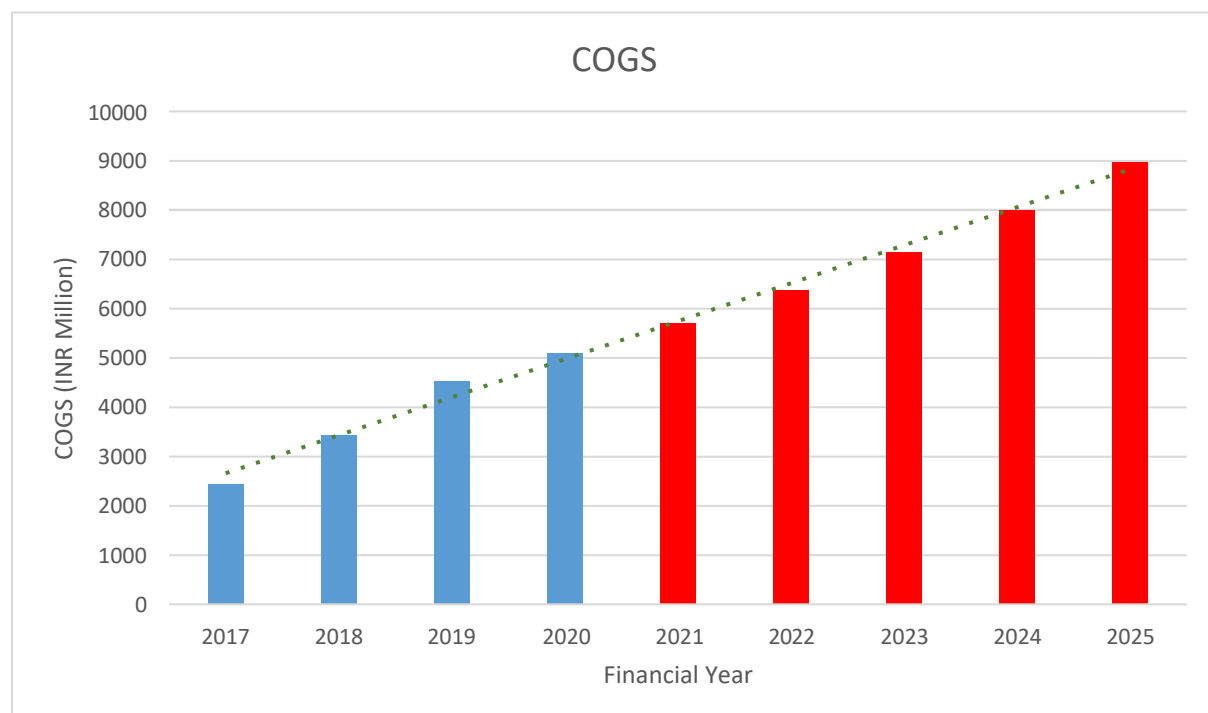
## The driving growth for the company:

- New product launches and improved market share will drive the growth across geographies
- Commercialization in EU of world’s largest animal injectable product with an addressable market of ~US\$ 300mn
- First US injectable filing in FY20
- 10+ new filings in the US is expected in the next three years
- 35+ formulation products in pipeline and addressable market size of ~US\$1 Billion

## Cost of Goods Sold:

Cost of goods sold (COGS) refers to the direct costs of producing the goods sold by a company. This amount includes the cost of the materials and labor directly used to create the good.

Looking at the past trend, **we assumed that COGS will be 43% of revenue.**



## Net Profit:

A company's net profit is also known as its net income, net earnings or bottom line. It represents the financial standing of a company after all its expenses have been paid off from its total revenue.

Looking at the past trend, **we assumed that Net profit will be 57% of revenue.**

## Indirect Expenses:

Indirect expenses are those expenses that are incurred to operate a business as a whole or a segment of a business, and so cannot be directly associated with a cost object.

The indirect expense for the company includes:

- (a) Purchases of stock-in-trade
- (b) Changes in inventories of finished goods
- (c) Excise duty on sale of goods
- (e) Employee benefits expense
- (d) Finance costs
- (e) Other expenses

Looking at the trend, it was seen that indirect expenses were reducing at a trend.

In 2019, indirect expenses were 47% of the revenue and in 2020, it was 45% of revenue.

Hence, we followed the trend and assumed that the indirect expenses for the FY2021 will be 43%, for FY 2022 will be 41% of revenue and so on. For FY 2025, we assumed the indirect expenses to be same as the previous year (FY 2024).

## Tax Expenses:

Tax expenses are the total amount of taxes owed by an individual, corporation, or other entity to a taxing authority.

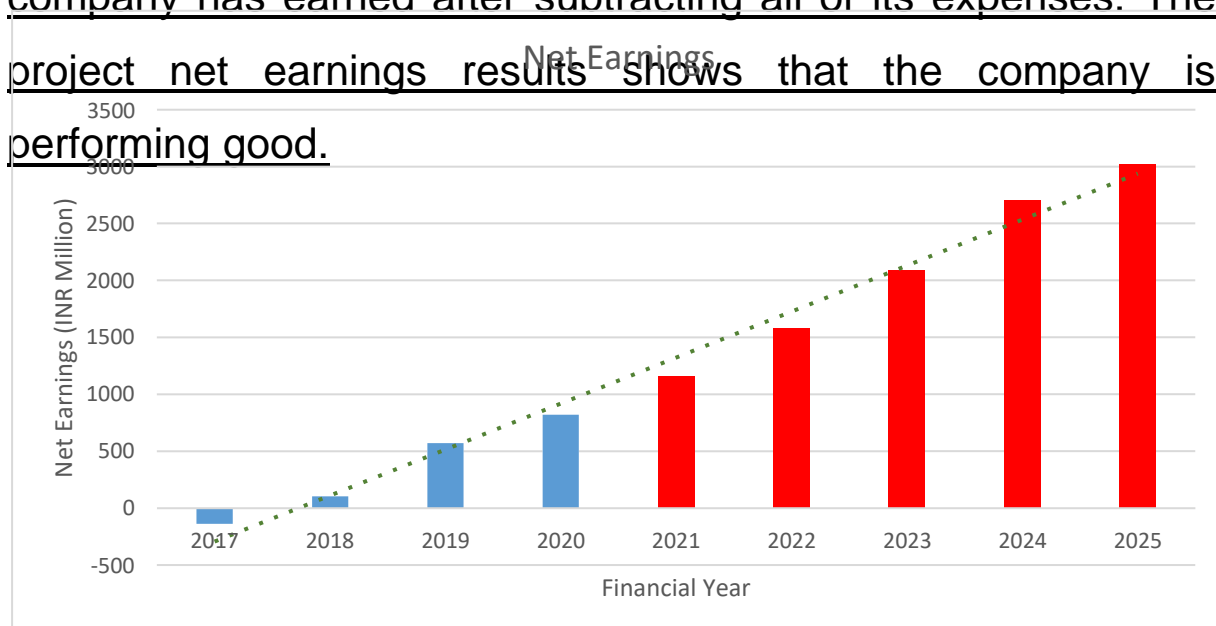
The current tax was found to be near about 2% of the revenue. Hence, we assumed the current tax 2% of revenue throughout.

There was no information available for the Deferred tax, Current tax of prior period reversed, MAT Credit Entitlement and MAT Credit Entitlement written-off, so we assumed it same as previous year's (FY 2020) expenses.

## Net Earnings:

Net income (NI), also called net earnings, is calculated as sales minus cost of goods sold, selling, general and administrative expenses, operating expenses, depreciation, interest, taxes, and other expenses. It is a useful number for investors to assess how much revenue exceeds the expenses of an organization. Net income is the last line item on the income statement proper.

As we know that net Earnings are most commonly associated with a company's bottom line results which shows how much a company has earned after subtracting all of its expenses. The project net earnings results shows that the company is performing good.





### **Market Drivers for the company:**

- The COVID-19 pandemic has affected the entire healthcare sector and animal healthcare is no different. In the initial period, there was high probability of animals getting infected due to being in close contact with human beings. Several cases were reported where all of them including companion animals, livestock animals and animals kept in zoological facilities tested positive for COVID-19 virus. Noticing the need and demand for COVID-19 testing kits for animals, the company launched their products to help veterinarians.
- Increasing government support for pet care across the globe will boost the animal healthcare market revenue. The outbreak saw supportive government policies for continued research and approval of animal drugs amid pandemics.
- Growing R&D spending for drug and vaccine development will spur the segment growth. The company is projected to witness a 12% growth rate led by the increasing demand and supply of vaccines, drugs, and medicated feed additives. Rising prevalence of zoonotic diseases, rising feed production, growing awareness among consumers regarding animal wellbeing are some of the major factors promoting demand for pharmaceuticals in the market.

### Operating Cash Flow:

Operating cash flow (OCF) is a measure of the amount of cash generated by a company's normal business operations. It is an important benchmark to determine the financial success of a company's core business activities. If a company is not bringing in enough money from its core business operations, they will need to find temporary sources of external funding through financing or investing. However, this is unsustainable in the long run. Therefore, operating cash flow is an important figure to assess the financial stability of a company's operations.

Predicted Operating cash flow of the company indicates that a company can generate sufficient positive cash flow to maintain and grow its operations, and it may not require external financing for capital expansion.

### **Investing Cash Flow:**

Cash flow from investing activities is one of the sections on the cash flow statement that reports how much cash has been generated or spent from various investment-related activities in a specific period. Investing activities include purchases of physical assets, investments in securities, or the sale of securities or assets.

Before analyzing the different types of positive and negative cash flows from investing activities, it's important to review where a company's investment activity falls within its financial statements. It is forecasted that the cash flow from the investing activities of the company is almost increasing and is always positive after 2018 which indicates that a company's liquid assets are increasing. This enables it to settle debts, reinvest in its business, return money to shareholders, pay expenses, and provide a buffer against future financial challenges.

**Financing Cash Flow:**

Financing cash flow, shows the net flows of cash that are used to fund the company and its capital. Financing activities include transactions involving issuing debt, equity, and paying dividends. Cash flow from financing activities provides investors with insight into a company's financial strength and how well a company's capital structure is managed.

It is forecasted that the cash flow from financing activities is positive meaning more money is flowing into the company than flowing out, which is increasing the company's assets.

**Closing Cash Flow:**

Cash flow is the inflow and outflow of money from a business. It is necessary for daily operations, taxes, purchasing inventory, and paying employees and operating costs. On the cash flows statement, ending Cash is the amount of cash a company has when adding the change in cash and beginning cash balance for the current fiscal period.

It is forecasted that the cash flow of the company is increasing which indicates that a company's liquid assets are increasing. This enables it to settle debts, reinvest in its business, return money to shareholders, pay expenses, and provide a buffer against future financial challenges.

### Cash Flows

