FUNDAMENTAL AND TECHNICAL ANALYSIS OF CADILA HEALTHCARE LTD

By

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1404

Under the guidance of

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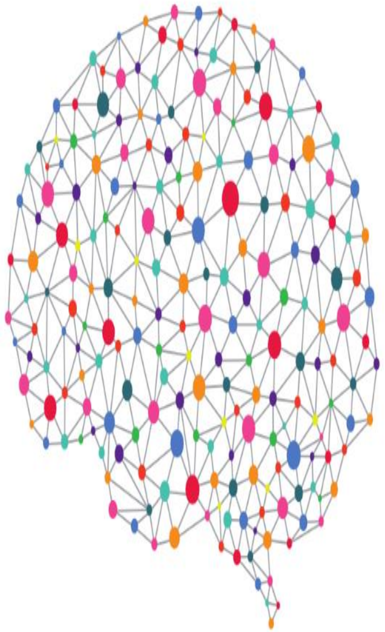
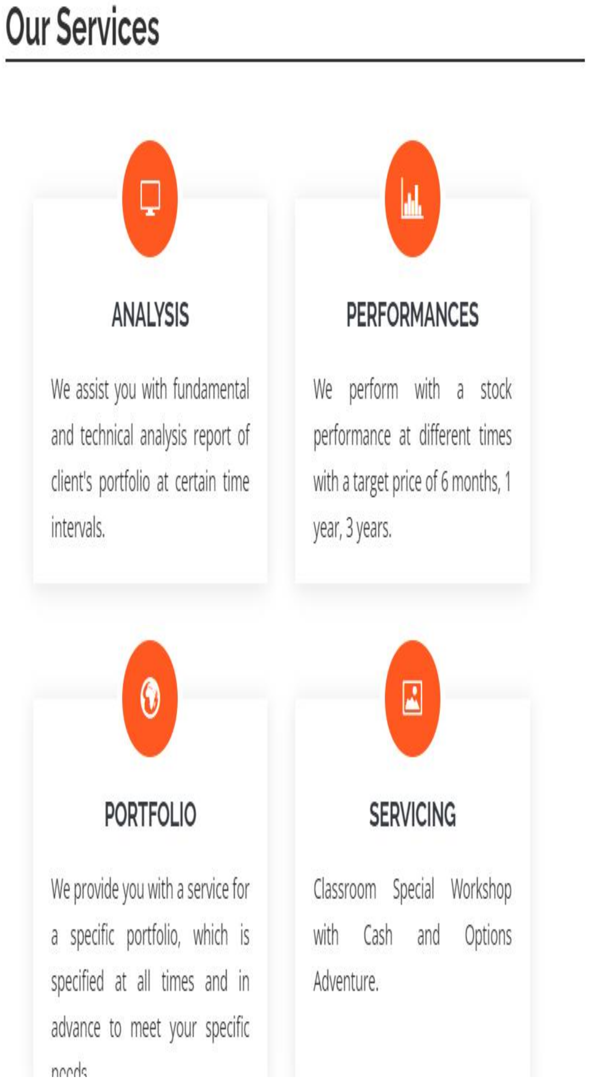
ABOUT THE ORGANISATION





Praedico Global Research Pvt. Ltd. is India's first "coordinated worldwide research cum preparing" company. They take a shot at the model of spreading financial literacy all over the globe and have their own exploration model for India and worldwide stock trades.

Praedico Global Research focuses on the use of artificial intelligence to forecast the trends in the stock markets across the globe. The company has achieved many successes within the limited time period it has been in existence

The Company also conducts financial-related workshops all over the globe. They offer their services to clients trading on stock markets all around the world. They use Financial Research and Neural Network Programming to develop hybrid products which can be used by traders and investors for better prediction of their investments

OVERVIEW

PHARMACEUTICAL COMPANIES	REVENUE
Sun Pharmaceutical Industries Ltd	Revenue: 39,576 crores INR
Dr. Reddy's Laboratories Ltd	Revenue: 17,460 crores INR
Divi's laboratories limited	Revenue: 9,073 crores INR
Cipla	revenue: 21,760 crores INR
Aurobindo Pharma	Revenue: 23,290 crores INR
Torrent pharmaceuticals	Revenue: 8,510 crores INR
Lupin Limited	Revenue: 15,299.25 crores
Zydus Lifesciences	Revenue: 15,139 crores INR

- India is the largest provider of generic drugs globally, known for its affordable vaccines and generic medications. The Indian Pharmaceutical industry is ranked third in pharmaceutical production by volume after evolving over time into a thriving industry growing at a CAGR of 9.43% over the past nine years. Generic drugs, over-the-counter medications, bulk drugs, vaccines, contract research & manufacturing, biosimilars, and biologics are some of the major segments of the Indian pharma industry

FACTUAL INFORMATION

- Praedico Global Research Private Limited is a private company which is founded on 09 April 2018 and deals in Stock Market Training, Stock Marketing Predictive Software, Robotic Stock Trading, Global Equity Research, Portfolio Designing, Financial Literacy, and Stock Market Research Using Deep Learning.
- With Praedico Global Research, robust software is built to be sensitive and identify the trend on the stock market and make a high probable prediction with at least 80% confidence level

OBJECTIVE

- To evaluate the financial performance by analyzing key financial ratios over a period of five years by horizontal analysis, liquidity ratio, profitability ratio, solvency ratio
- To understand the factors driving the company's performance by economic and industry analysis and company analysis
- To analyze the stock market trends using technical analysis methods by candle sticks and chart patterns., also ABC patterns and predict the market trends and then to provide insight to invest money in the market

MATERIAL AND METHODS

Study design

this study is based on the behavior of the market trends of the cadila healthcare ltd, this requires an in-depth study of the historical data.
A cross-sectional descriptive study methodology was adopted

Data collection

Using a systematic approach Data will be collected by analyzing the annual reports of the company for five consecutive years. It was done by using the search string “ratio analysis for a pharmaceutical company, financial analysis + Cadila.

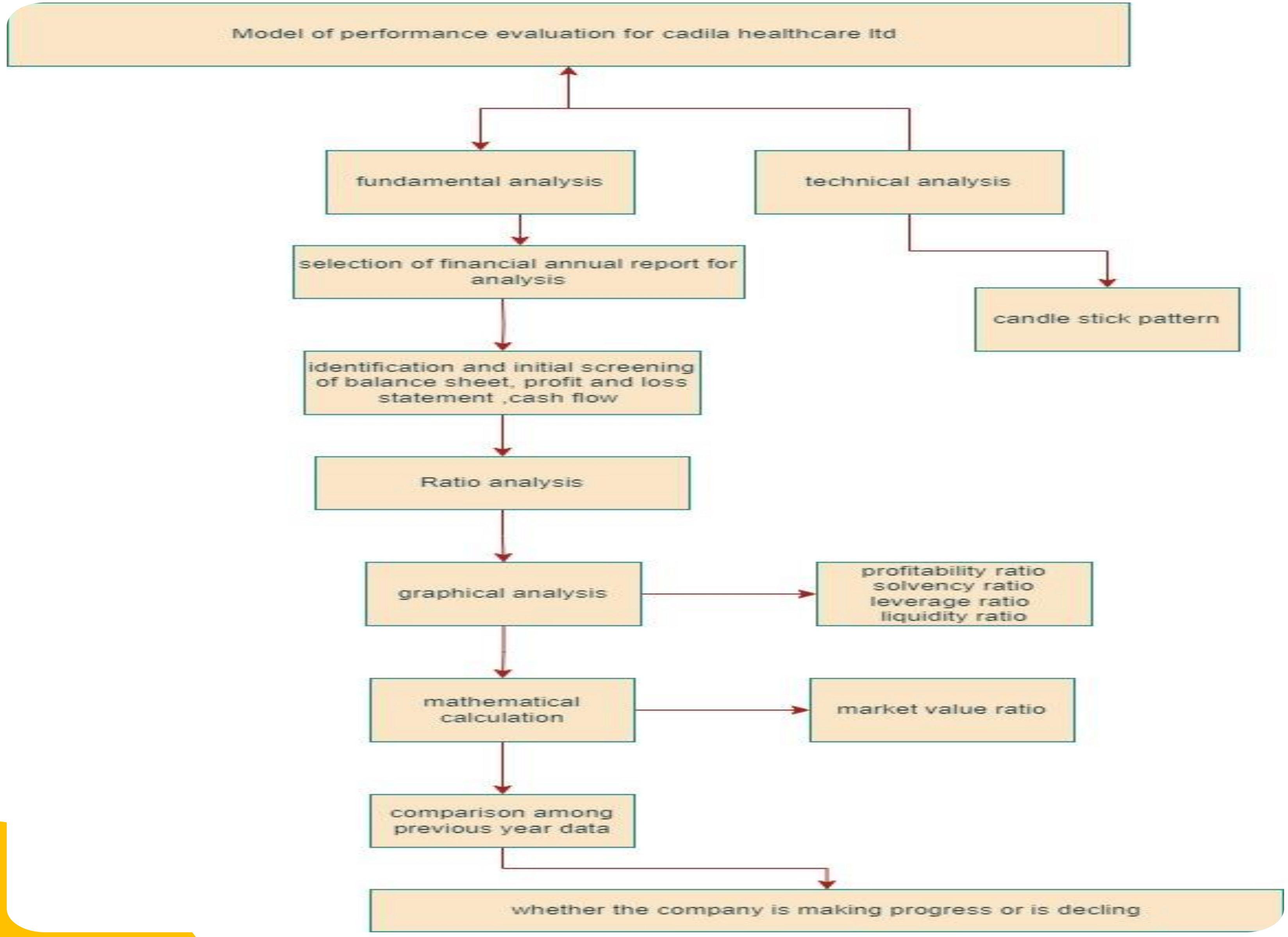
Duration of study

February 20th 2023-may 2023

Sources of secondary data

annual financial reports, BSE INDIA official website, journal, article, business reports

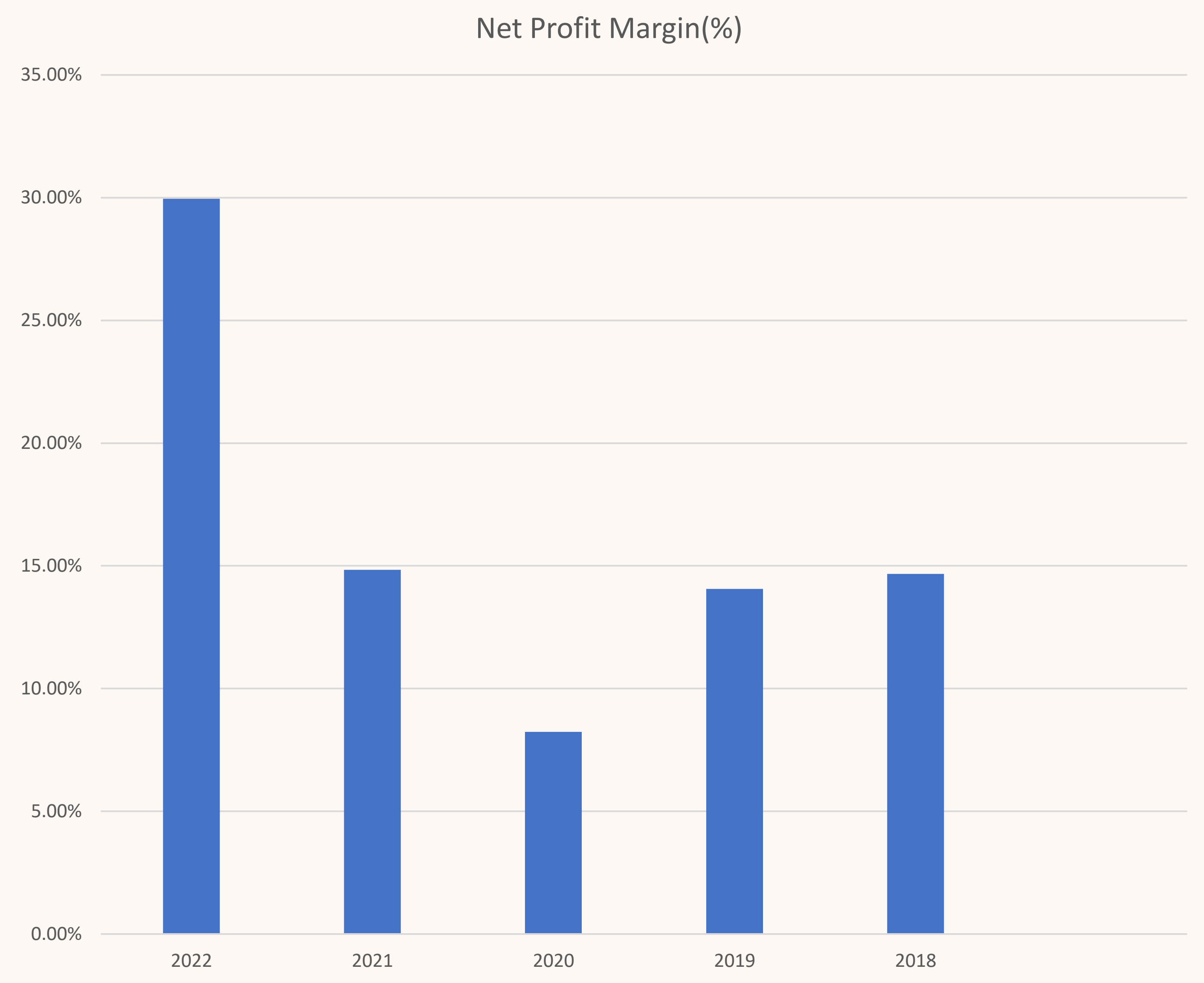
PROCESS FLOW



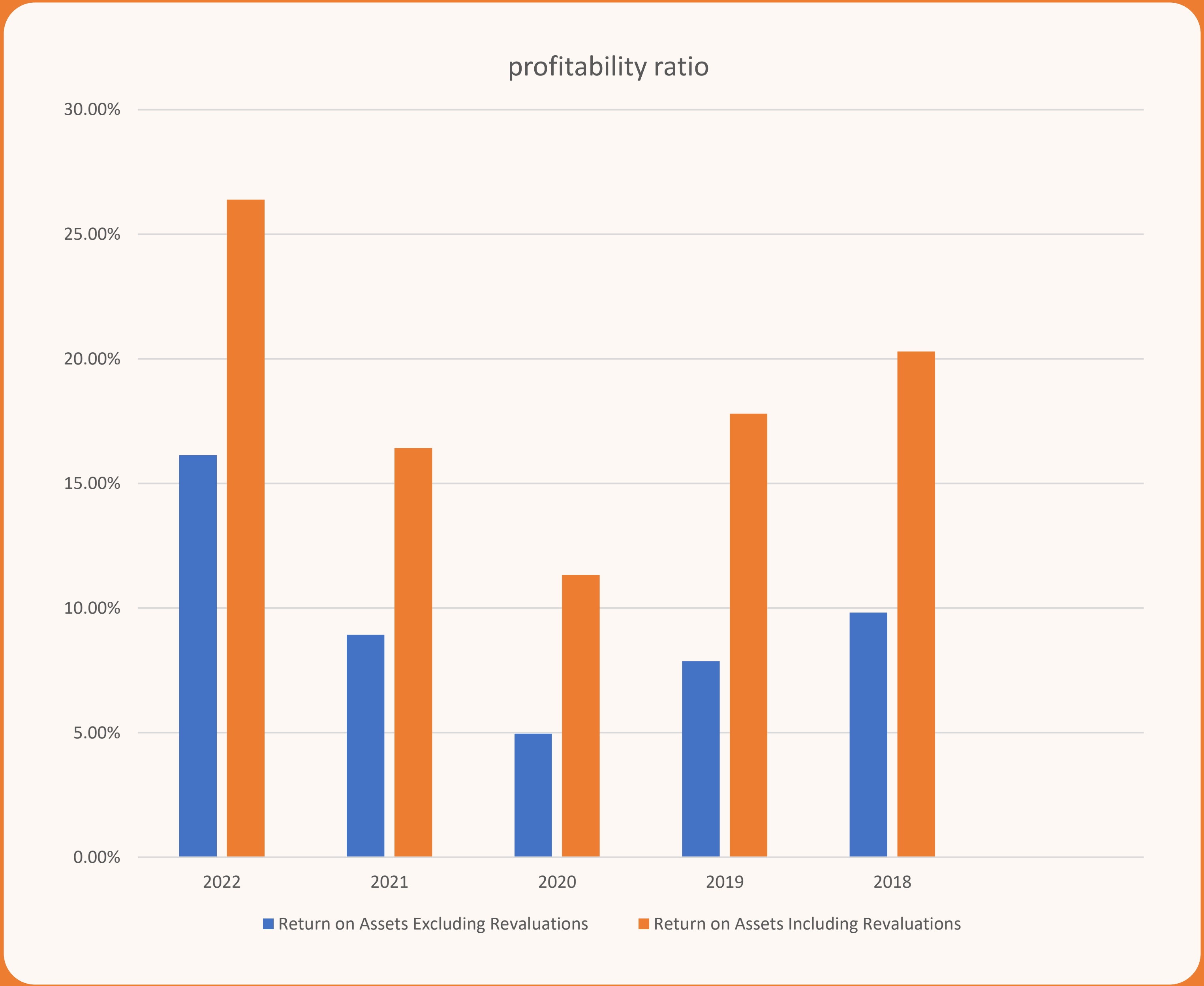
RATIO ANALYSIS

Ratios	2022	2021	2020	2019	2018
Profit Before Interest And Tax Margin (%)	18.59%	16.65%	10.49%	18.09%	19.57%
Net profit margin (%)	29.95%	14.84%	8.24%	14.06%	14.67%
Adjusted Net Profit Margin (%	29.95%	14.84%	8.24%	14.06%	14.67%
Return On Capital Employed (%)	11.8%	14.27%	14.07%	16.85%	11.63%
Return On Net Worth (%)	6.47%	11.58%	12.54%	17.33%	14.08%
Return on Assets Excluding Revaluations	16.14%	8.93%	4.96%	7.87%	9.82%
Return on asset	26.39%	16.42%	11.33%	17.80%	20.30%
Debt Equity Ratio	0.2	0.4	0.7	0.7	0.6
Current ratio	1.6	1.1	1.1	1.2	1.4
Net profit ratio	0.16	0.10	0.18	0.19	0.22
Quick ratio	1.1	0.7	0.7	0.8	1

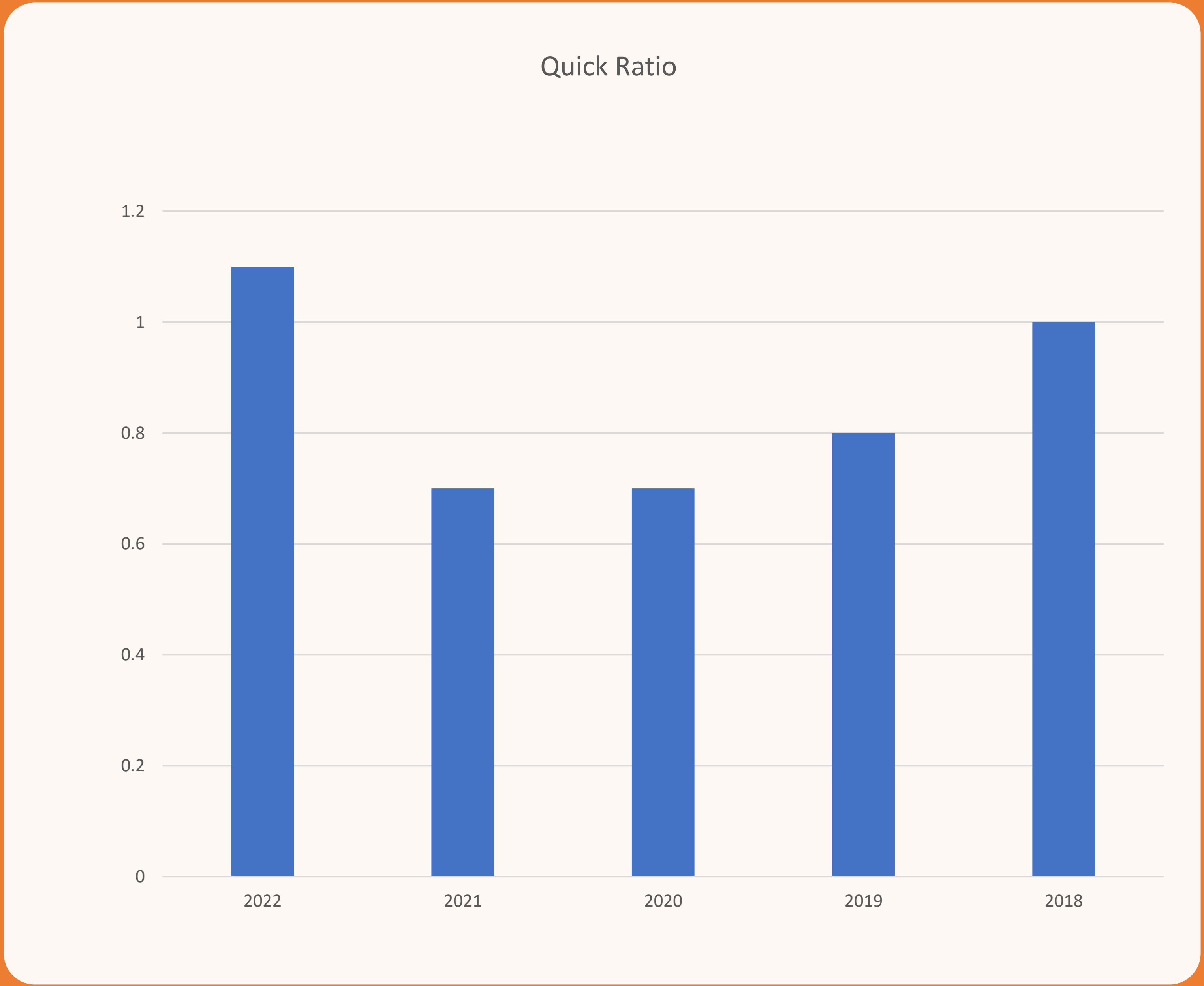
We can see from 2020 there is a gradual increase and in 2022 an increase of 15% was seen which states that the company can control the cost and provide services at a price that is significantly more than its original price we can see from 2018 to 2020 there was a decline in net profit margin as expenses were more and inefficient management were in practice.



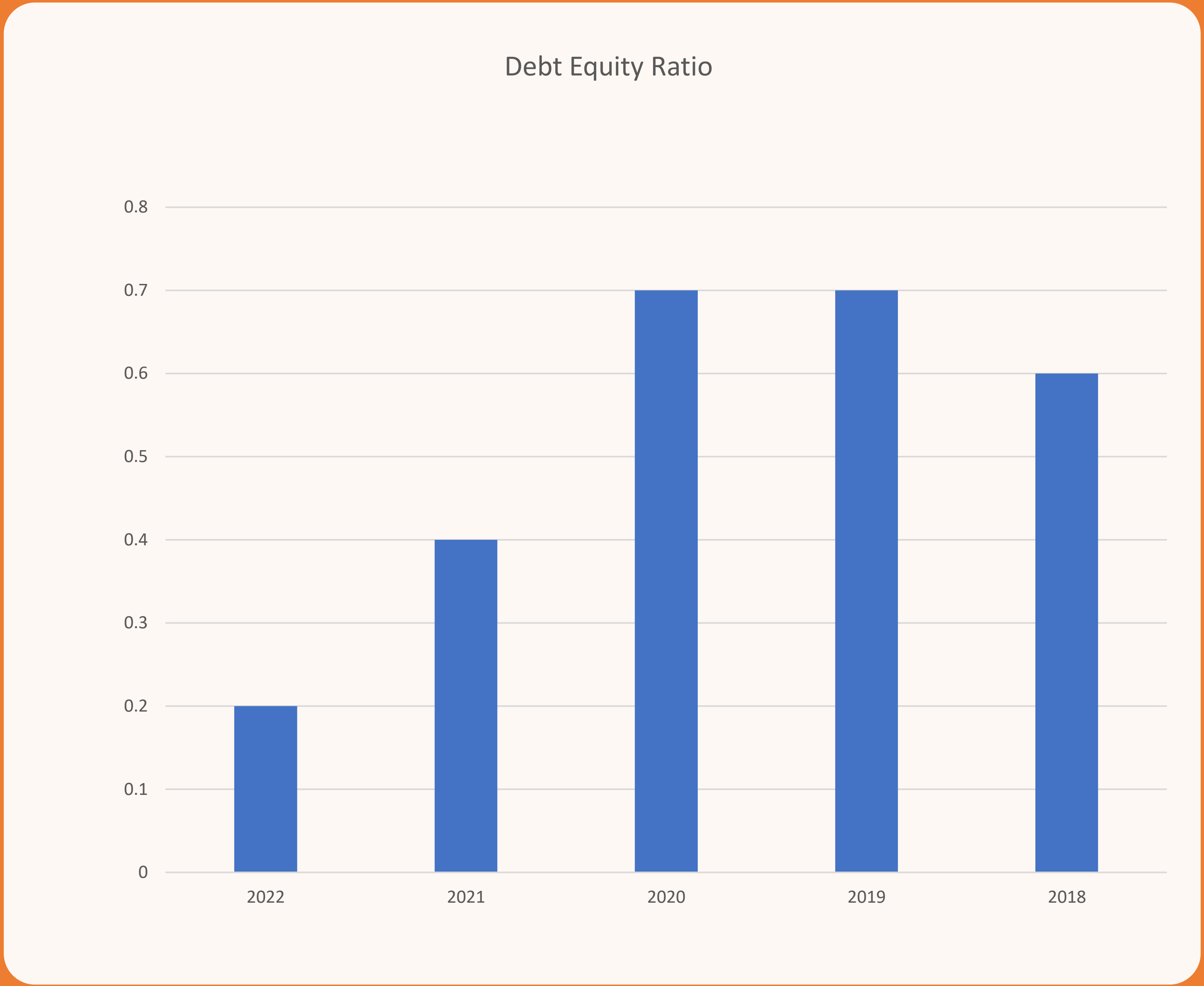
The higher the ratio, the better it is for the company because it shows that the business is highly capable of generating profits regularly” and we can see that it has increased from 2020 and continued to increase till 2022.



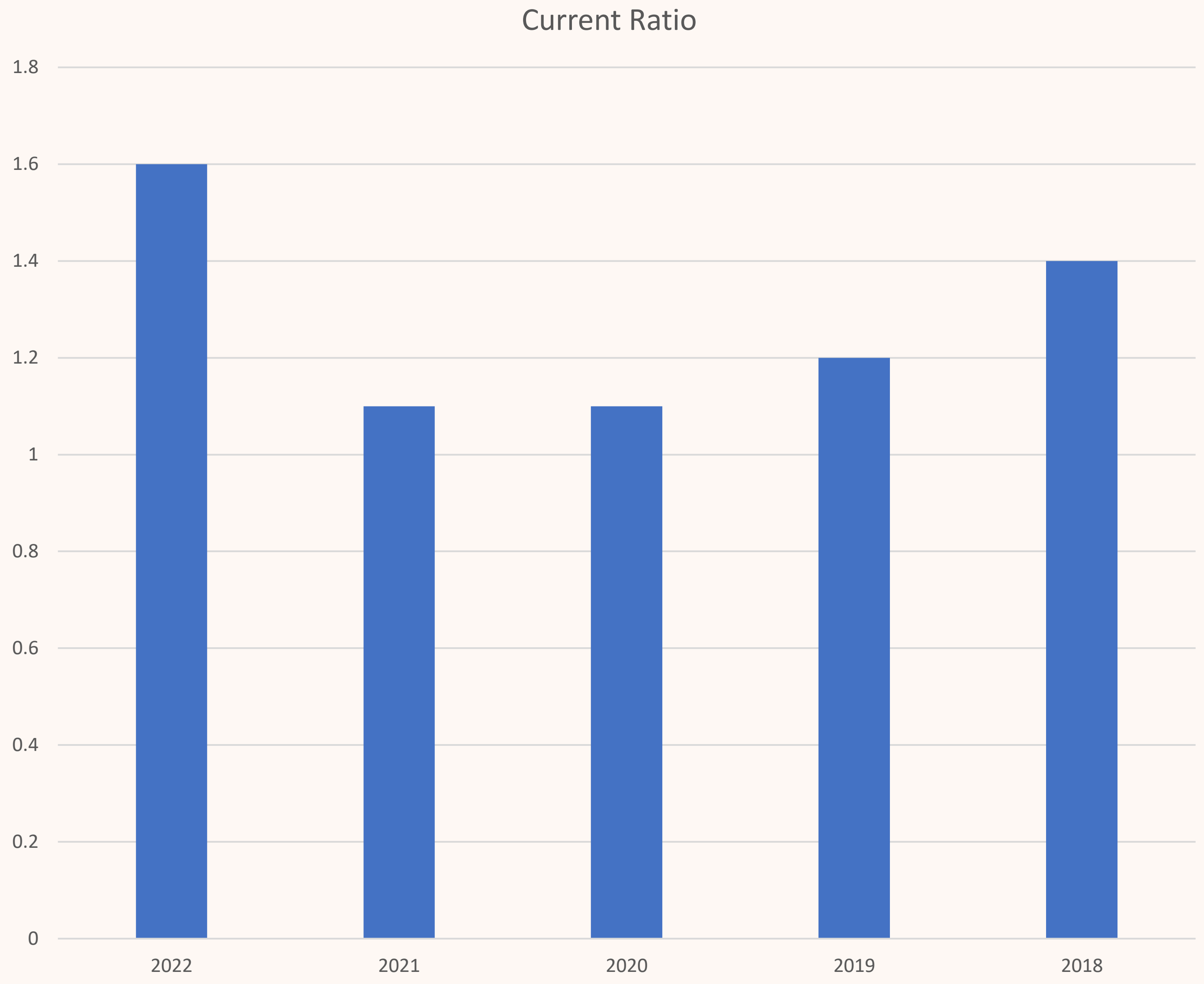
A quick ratio of 1 or above indicates that the company has sufficient liquid assets to satisfy its short-term obligations" as we can see though it declined till 2021 but it increased in 2022



We can see by the year 2022 the debt-to-equity ratio which states that the company is utilizing its assets and borrowing less money from the market which is a good sign



As we can see the current ratio of the company has always been greater than 1, which clarifies that the company has enough short-term assets on hand to liquidate to cover all short-term liabilities if necessary.

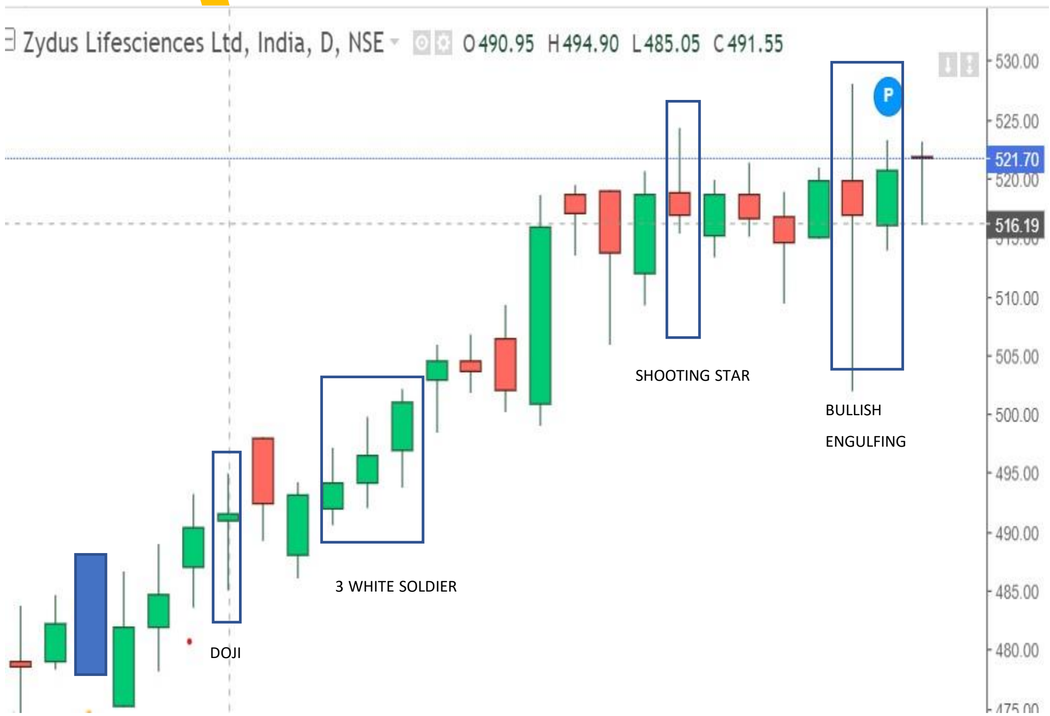


The company is making a poor decision and their equity management efficiency is not good at all as a result return on net worth has declined significantly from 2019

We can see it has decreased till 2021 then it started growing again

Candlestick chart of zydus lifesciences ltd

- **Doji f**orm when the open and close of a candlestick are equal, or very close to equal. Considered a neutral formation suggesting indecision between buyers and sellers–bullish or bearish bias depends on previous price swing or trends
- This candlestick pattern is formed when the bearish forces come into action and make the prices fall for three consecutive days. Traders should take a short position after this bearish candlestick pattern is formed. The **Three Crows pattern** signal weakness in an ongoing uptrend and the potential reversal to the downtrend
- A **shooting star** occurs after an advance and indicates the price could start falling. Traders typically wait to see what the next candle (period) does following a shooting star. If the price declines during the next period, they may sell
- The **bullish engulfing** candlestick pattern encourages traders to hold a long position. In other words, traders must buy the security and hold it in their portfolio until they can sell it at a higher price to make financial gains. Note that traders can make maximum financial gains if they buy the security at its lowest intraday price on the candle's second day



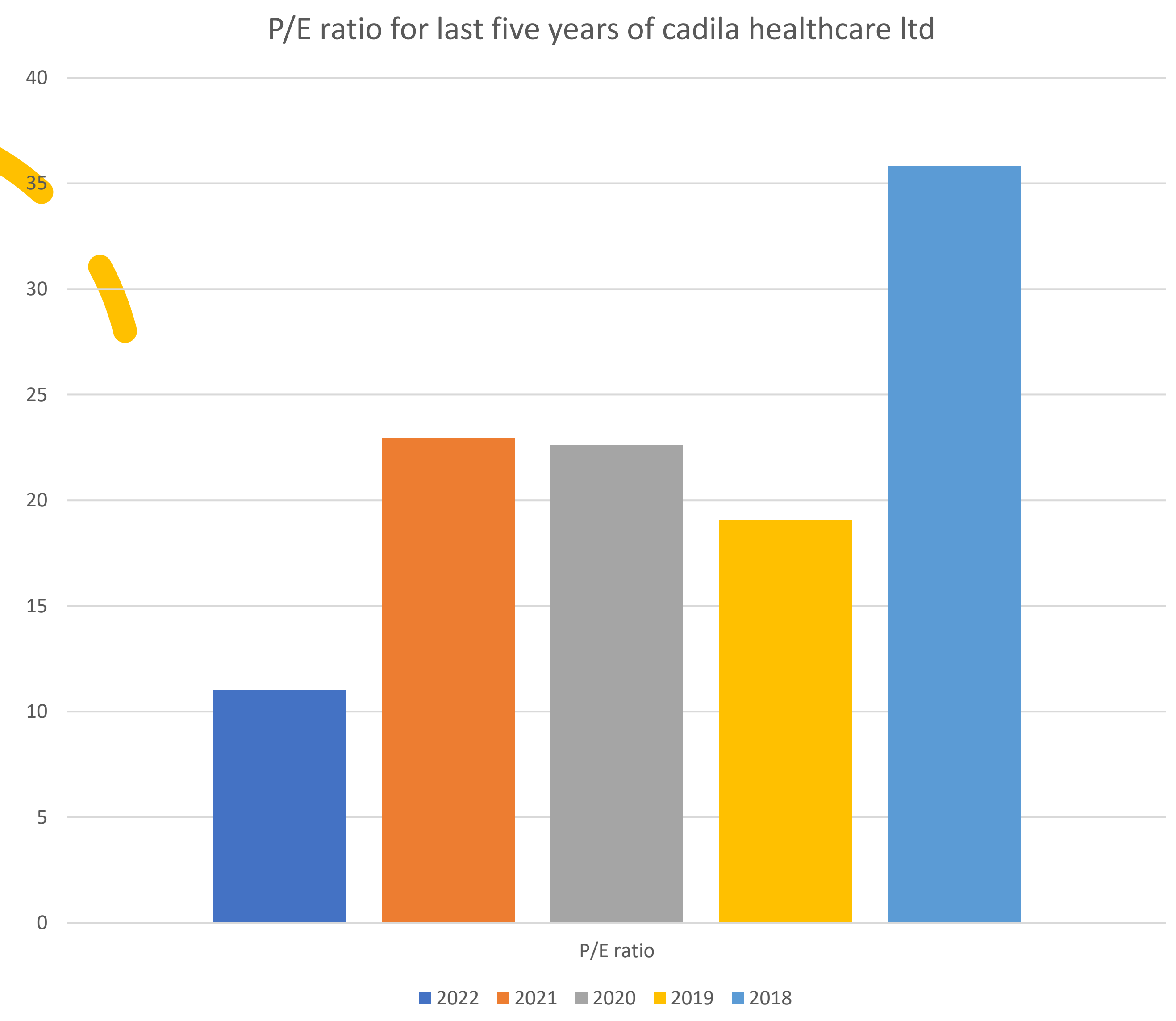
Candlestick chart of cadila

- **INVERTED HAMMER**[7] "appears on a chart when there is pressure from buyers to push an asset's price up. It often appears at the bottom of a downtrend, signaling a potential bullish reversal An inverted hammer tells traders that buyers are putting pressure on the market. It warns that there could be a price reversal following a bearish trend. It's important to remember that the inverted hammer candlestick shouldn't be viewed in isolation – always confirm any possible signals with additional formations

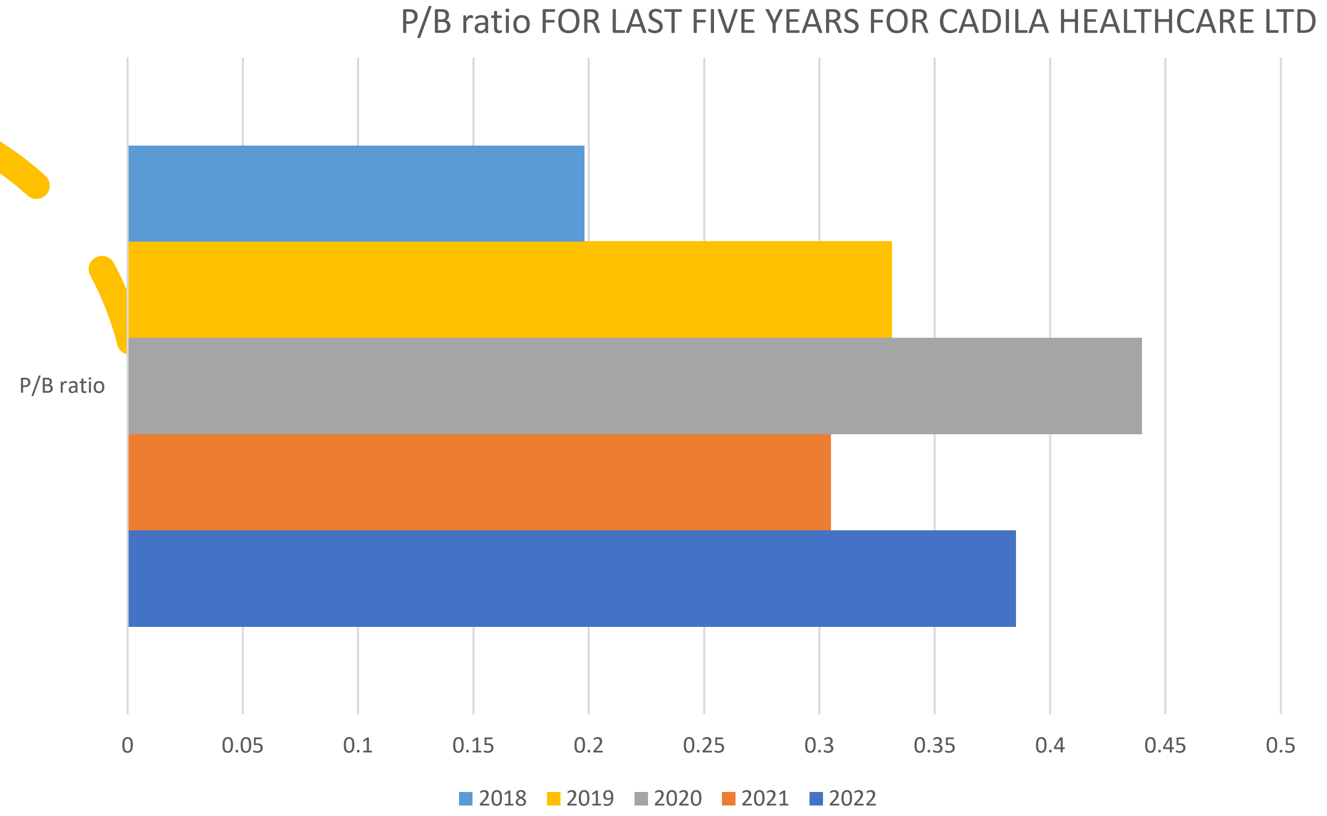
- **BEARISH ENGULFING**: [7]"Since bearish engulfing candles can indicate the beginning of a prolonged downtrend, it is helpful to consider an initial take profit level while remaining open to further downward movement. Adjust stops accordingly or consider using a trailing stop. "

•**BULLISH HARAMI** Potential for high reward trade as the pattern occurs at the beginning of a bullish trend indicator used for spotting reversals in a bear trend. It is generally indicated by a small increase in price (signified by a white candle) that can be contained within the given equity's downward price movement (signified by black candles) from the past couple of days.

As we can see the P/E ratio is declining from 2018 to 2022 and s low P/E ratio is better as we are paying less for every rupee of earning that we receive. A low PE ratio means that a stock is cheap, and its price may rise in the future. Investing in **stocks with low P/E** can give you good returns as they are undervalued. However, do not make investment decisions solely based on the P/E ratio



It is calculated by dividing the current market price per share by the book value per share. **A low PB ratio suggests that a company's stock is undervalued.**



P/B ratio	2022	2021	2020	2019	2018
share price in Rs	483	478	260	344.2	382
book value	186.07	145.8	114.36	114.05	75.64
P/B ratio	0.385238	0.305021	0.439846	0.331348	0.19801

recommendation

Before buying stocks, you should always conduct thorough research. But it's not often done. Investors typically identify companies or industries based on their names. However, this is not the proper technique to invest money in the stock market.

Check your excess funds to see whether you have any you can afford to lose if you wish to take a chance in a market this volatile. In the current situation, it's not a given that you'll lose money. In the upcoming months, your investments may also provide significant profits.

None of us, however, can be completely certain. You'll have to take a chance because of this. There's no need to mention that you should only invest money that you have extra to spare

conclusion

- By doing all the analysis we can see that we need to be careful while investing and cannot invest in a company because everyone is doing so only if we have surplus amount, and we are ready to take risk then we can think of investing. Market leader is sun pharma followed by Cipla but if we want to go for long-term investing then cadila healthcare can be a good option as it is an undervalued stock and its has shown a good progress in the past few years

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