



DISHMAN PHARMACEUTICALS & CHEMICALS LTD

JUNE 30, 2016

SECTOR PHARMACEUTICAL
RECOMMENDATION

Buy @ 135, Target 200



DYNAMIC LEVELS

Report By: [Surbhi Lohia – surbhi@dynamiclevels.com](mailto:surbhi@dynamiclevels.com)





Dishman Pharmaceuticals & Chemicals Ltd- Energizing Life

| | |
|--|----|
| ■ Company Overview and Stock Price | 3 |
| ■ Product Overview | 4 |
| ■ Pharma Sector Outlook | 6 |
| ■ Govt Initiatives in Pharma | 7 |
| ■ Company Financials | 8 |
| ■ Peer Comparison | 12 |
| ■ Shareholding Pattern | 13 |
| ■ Business Strategy & Outlook | 14 |
| ■ Investment Rationale | 15 |



CMP Rs 140

Buy Level: 135

Target: 200

P/E: 12.85

Company's Overview and Stock Price

Dishman is a leading global outsourcing partner for the pharmaceutical industry, based in Ahmedabad in Gujarat, India. It has cost-effective, high quality research, development and manufacturing services that include the production and supply of tailor-made, high-quality Intermediates and innovative and generic Active Pharmaceutical Ingredients (APIs) straddling the entire pharmaceutical value chain. Dishman is present globally through multiple manufacturing sites in Europe, India, China and Saudi Arabia. Through its end-to-end core competencies and technical capabilities, Dishman has transformed itself into a full-fledged Contract Research & Manufacturing (CRAMS) player for innovators from biotech to multinational pharma companies.

Financial Highlights:

- Interest expense declined by 18% YoY in Q4 FY16 driven by lower debt and conversion of certain rupee loans into foreign currency loans and repayment of high cost debt.
- Q4 FY16 PAT increased by 29.3% YoY driven by significant improvement in operational profitability and operational efficiency across global operations. PAT margin improved from 9.1% in Q4 FY15 to 11.8% in Q4 FY16.
- The employee costs in Q4FY15 were significantly lower as compared to Q4FY16 as Swiss subsidiary CA had written back employee pension liability to the extent of around CHF 6.8 million (Rs. 440 million).
- The other income declined by 82.2% YoY during Q4FY16 as compared to Q4FY15 due to the onetime event of a claim received (Rs. 580 mn) in Q4FY15 with respect to loss of profit resulting out of a breakdown of a major commercial equipment at CA.
- The Depreciation expense declined by 57.7% YoY in Q4FY16 as compared to Q4FY15, as there was a onetime depreciation provision of Rs. 270 mn on account of the provision for Asset Retirement Obligation (ARO) at CA during Q4FY15. Therefore, there is a significant drop in depreciation expense YoY.
- For the year ended 31st March, 2016 the Company has declared and paid 100% Dividend of Rs.2.00 per equity share with a face value of Rs.2.00 each. Subsequent to 31st March, 2016. The Company has issued and allotted 8,06,97,136 equity shares of Rs.2/- each, as fully paid-up bonus shares in the ratio of 1 (one) equity share for every 1 (one) Equity share held.



DISHMAN Share Price Performance

| EXCHANGE SYMBOL | DISHMAN |
|-------------------------------|-----------------|
| Current Price * (Rs.) | 139.50 |
| Face Value (Rs.) | 2 |
| 52 Week High (Rs.) | 209.9 (4-11-15) |
| 52 Week Low (Rs.) | 73.85(29-6-15) |
| Life Time high (Rs.) | 227.48(4-1-08) |
| Life Time low (Rs.) | 16.9(19-12-11) |
| ADM | 13.91 |
| Average Volume | 585308 |
| 1 Month Return (%) | -10.72 |
| P/E Ratio (x) | 12.85 |
| Book Value | 76.36 |
| Market Cap | 2203.03 (Cr) |
| % of Promoter holding pledged | 2.42 |



Product Overview

- **Active Pharmaceutical Ingredients**
- **High Potent APIs**
- **Intermediates**
- **Phase transfer catalysts**
- **Vitamin D**
- **Cholestrol**
- **Lanolin-related products**
- **Antiseptic and disinfectant formulations**

Business verticals:

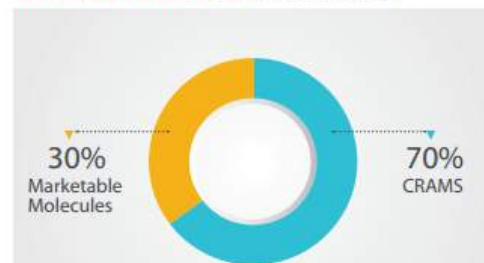
1. Contract Research and Manufacturing Services (CRAMS): Dishman is an integrated CRAMS player with strong capabilities across the value chain. The CRAMS unit manufactures drug quantities required for conducting clinical trials. The wholly owned subsidiary CARBOGEN AMCIS AG, located in Switzerland, is spearheading R&D efforts. Once the innovative molecules are approved, the unit explores the possibility of possible large-scale commercial supply tie-ups. Through this CRAMS business, Dishman provides assistance to drug innovators in development and optimisation of processes for novel drug molecules in various stages of the development process. CRAMS is the largest business segment which caters to the requirements of biotech to large pharmaceutical companies. It develops intermediaries/APIs based on customers request. This business involves significant R&D efforts to develop the products and processes.

A. CARBOGEN AMCIS CARBOGEN AMCIS AG is a Switzerland subsidiary with capabilities to supply high potency molecules targeting niche therapies such as oncology. Service offerings range from chemical development to niche scale commercial manufacture and supply of APIs. It caters to the early stage chemical process and development requirements of biotech and pharmaceutical companies. The operations running under this brand are located in Switzerland, France, UK and China. It manufactures highly-potent, high value products and produce material for pre-clinical testing, clinical trials and commercial use for the oncology market. Besides strong research capabilities, it possess capabilities in scale-up, development and commercial manufacture of highly potent compounds. It is also engaged in process research and development for APIs.

COMPANY PROFILE OF DISHMAN

| | |
|--|---|
| Date of Incorporation | 29-Jun-1983 |
| Date of Listing | 22-Apr-2004 |
| Management | |
| Name | Designation |
| Rajendra S Shah | Addnl. & Ind.Director |
| Janmejay R Vyas | Chairman & Managing Director |
| Ashok C Gandhi | Director |
| Sanjay S Majmudar | Director |
| Subir Kumar Das | Director |
| Mark C Griffiths | Director & Global CEO |
| Arpit J Vyas | Managing Director & CFO |
| Deohooti J Vyas | Whole Time Director |
| Registered Office Address | |
| Bhadra - Raj Chambers, Swastik Cross Road, Navrangpura, 380009, Ahmedabad, Gujarat, India | |
| Website | |
| http://www.dishmangroup.com | |

REVENUE ANALYSIS (as on FY2015)



Dishman Pharmaceuticals and Chemicals Limited



B. DISHMAN INDIA: High-value and Asian cost-base CRAMS offerings, through Dishman India, span right from process research and development to late-stage clinical and commercial manufacturing. They have capabilities across the entire CRAMS value chain, strong chemistry skills and small to large scale, multipurpose manufacturing capacities. Manufacturing plants at Bavla include Asia's largest HiPo API facility. This enables to gain from the high-margin opportunity in High Potency Services driven by growing research and development work taking place globally in the oncology therapeutics segment. and development work taking place globally in the oncology therapeutics segment.

2. MARKETABLE MOLECULES

A. SPECIALTY CHEMICALS (QUATS) Dishman Specialty Chemicals manufactures and supplies high quality intermediates, Fine chemicals, and various products for pharmaceutical, cosmetic and related industries. We are the global leaders in the specialty chemicals segment and a leading manufacturer of Phase Transfer Catalysts. We possess domain expertise in solids handling technology, which has helped us expand our offerings to include ammonium and phosphonium highpurity solid Quats, Phosphoranes and Wittig reagents.

B. VITAMINS & CHEMICALS. It manufactures range of vitamins D2, D3, D at Veenendaal and Netherlands. It also manufactures cholesterol and lanolin related products for pharmaceutical, cosmetic and related markets. Dishman is the market leaders in the advanced regulated sector of Vitamin D Space.

C. DISINFECTANTS : Disinfectants Division has been created to offer a range of Antiseptics and Disinfectants for application in healthcare and related industries. They have a healthy portfolio of 'next generation' innovative antiseptic and disinfectant formulations. The product pipeline specialises in high quality, cost-effective, proven anti-microbial products based on CHG and Octenidine dihydrochloride (OCT). They shall provide specialist products for environmental decontamination based on hydrogen peroxide disinfectant. The range of products include bulk drugs, phase transfer catalyst and Fine chemicals.



Pharmaceutical Sector Outlook

The Indian pharmaceuticals market is the 3rd largest in terms of volume and 13th largest in terms of value. Branded generics dominate the pharmaceuticals market, constituting nearly 70 to 80 % of the market. India is the largest provider of generic drugs globally with the Indian generics accounting for 20 % of global exports in terms of volume. The Indian pharmacy industry, which is expected to grow over 15 % p.a. between 2015 and 2020, will outperform the global pharmacy industry, which is set to grow 5 % p.a. between the same periods. Presently the market size of the pharmaceutical industry in India stands at US\$ 20 billion. **India has the largest number US FDA compliant plants. The industry is expected to reach US\$ 55 billion by 2020, out of which US\$ 30 million will be for exports.**

Increasing investments in the sector

- The Indian pharmaceuticals market increased at a CAGR of 17.46 per cent in 2015 from US\$ 6 billion in 2005 and is expected to expand at a CAGR of 15.92 per cent to US\$ 55 billion by 2020.
- By 2020, India is likely to be among the top three pharmaceutical markets by incremental growth and sixth largest market globally in absolute size.
- India's cost of production is significantly lower than that of the US and almost half of that of Europe. It gives a competitive edge to India over others.

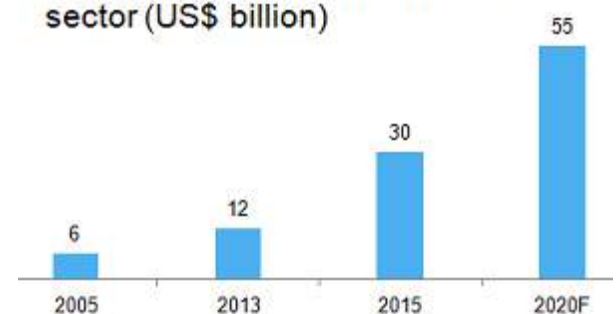
Generic drugs form the largest segment

- With 70 per cent of market share (in terms of revenues), generic drugs form the largest segment of the Indian pharmaceutical sector.
- India supplies 20 % of global generic medicines market exports in terms of volume, making India the largest provider of generic medicines globally and expected to expand even further in coming years
- Over the Counter (OTC) medicines and patented drugs constitute 21 % and 9 %, respectively, of total market revenues of US\$ 20 billion.

Our Four-Pronged R&D Focus:

- Operate across the oncology, diabetes and autoimmune spaces.
- Leverage our expertise in fermentation to drive novel and biosimilar programs.
- Create a differentiated pipeline that stretches across the biopharma value chain.
- Leverage strategic alliances and partnerships for better outcomes.

Revenue of Indian pharmaceutical sector (US\$ billion)





Government Initiatives in Pharma

The Government of India's '**Pharma Vision 2020**' aims at making India a global leader in end-to-end drug manufacture. Approval time for new facilities has been reduced to boost investments. Further, the government introduced mechanisms such as the Drug Price Control Order and the National Pharmaceutical Pricing Authority to deal with the issue of affordability and availability of medicines.

Some of the major initiatives taken by the government to promote the pharmaceutical sector in India are as follows:

- Indian Pharmaceutical Association, the professional association of pharmaceutical companies in India, plans to prepare data integrity guidelines which will help to measure and benchmark the quality of Indian companies with global peers.
- The GOI plans to give incentive to bulk drug manufacturers, including both state-run and private companies, to encourage 'Make in India' programme and reduce dependence on imports of active pharmaceutical ingredients (API), nearly 85 % of which come from China.
- The Department of Pharma has set up an inter-ministerial co-ordination committee, which would periodically review, coordinate and facilitate the resolution of the issues and constraints faced by the Indian pharmaceutical companies.
- The Department of Pharma has planned to launch a venture capital fund of Rs 1,000 crore to support start-ups in the R&D in the pharmaceutical and biotech industry.
- Indian and global companies have expressed 175 investment intentions worth Rs 1,000 crore in the pharmaceutical sector of Gujarat.
- Telangana has proposed to set up India's largest integrated pharmaceutical city spread over 11,000 acres near Hyderabad, complete with effluent treatment plants and a township for employees, in a bid to attract investment of Rs 30,000 crore in phases. Hyderabad, which is known as the bulk drug capital of India, accounts for nearly a fifth of India's exports of drugs, which stood at Rs 95,000 crore in 2014-15.

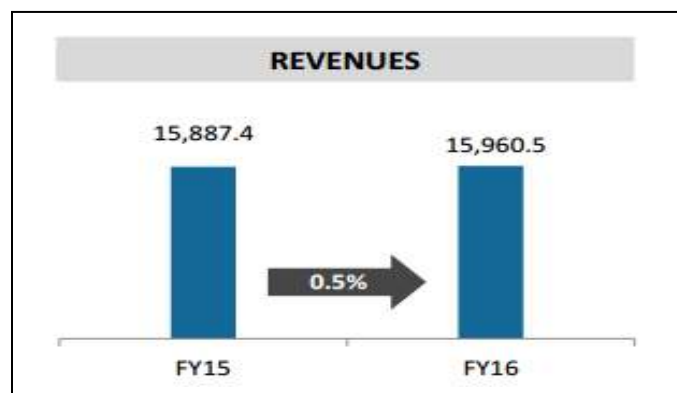
'Pharma Vision 2020' aims at making India a global leader in end-to-end drug manufacture.

GOI plans to give incentive to bulk drug manufacturers

Encourage '**Make in India**' programme and reduce dependence on imports of API

Company Financials

| Income Statement (in Cr) | FY 2016 Annual | FY 2015 Annual | % Change YoY |
|---|-------------------|-------------------|-----------------|
| Net Sales/Income from operations | 1,561.85 | 1,560.35 | |
| Other Operating Income | 34.20 | 14.84 | 130% |
| Total Income From Operations | 1,596.05 | 1,575.19 | |
| Increase/Decrease in Stocks | -52.77 | -42.59 | |
| Consumption of Raw Materials | 373.55 | 551.72 | -32% |
| Purchase of Traded Goods | 15.52 | 25.87 | -40% |
| Power And Fuel | -- | -- | |
| Employees Cost | 535.49 | 423.21 | 27% |
| Depreciation | 109.06 | 150.71 | -28% |
| Other Expenses | 313.94 | 303.19 | 4% |
| Total Expenditure | 1,294.79 | 1,412.11 | -8% |
| Operating Profit | 301.26 | 163.08 | 85% |
| Other Income | 26.54 | 85.99 | -69% |
| P/L Before Int., Excpt. Items & Tax | 327.80 | 249.07 | 32% |
| Interest | 94.44 | 89.71 | |
| P/L Before Tax | 233.36 | 159.36 | 46% |
| Tax | 62.35 | 39.44 | 58% |
| PAT | 171.01 | 119.92 | 43% |
| Share Of P/L Of Associates | 0.11 | 0.05 | |
| Net Profit/(Loss) For the Period | 171.12 | 119.97 | 43% |
| Equity Share Capital | 16.14 | 16.14 | |
| Reserves | 1,435.41 | 1,216.32 | 18% |
| Equity Dividend Rate (%) | -- | -- | |
| EPS (Rs.) | 21.20 | 14.87 | 43% |
| Promoters and Promoter Group Shareholding Pledged | -- | 30.31 | |



Profitability Highlights:

Interest expense declined by 18% YoY in Q4 FY16 driven by lower debt and conversion of certain rupee loans into foreign currency loans and repayment of high cost debt.

Q4 FY16 PAT increased by 29.3% YoY driven by significant improvement in operational profitability and operational efficiency across global operations. PAT margin improved from 9.1% in Q4 FY15 to 11.8% in Q4 FY16.

The employee costs in Q4FY15 were significantly lower as compared to Q4FY16 as Swiss subsidiary CA had written back employee pension liability to the extent of around CHF 6.8 million (Rs. 440 million).

The other income declined by 82.2% YoY during Q4FY16 as compared to Q4FY15 due to the one time event of a claim received (Rs. 580 mn) in Q4FY15 with respect to loss of profit resulting out of a break down of a major commercial equipment at CA.

The Depreciation expense declined by 57.7% YoY In Q4FY16 as compared to Q4FY15, as there was a one time depreciation provision of Rs. 270 mn on account of the provision for Asset Retirement Obligation (ARO) at CA during Q4FY15. Therefore, there is a significant drop in depreciation expense YoY.



| Balance Sheet (In Mn) | FY 2016 | FY 2015 | % Change YoY |
|---------------------------------|-----------------|-----------------|-----------------|
| ASSETS | | | |
| Cash And Equivalents | 622.0 | 241.0 | 158% |
| Short Term Investments | - | 132.0 | -100% |
| Total Cash & ST Investments | 622.0 | 373.0 | 67% |
| Accounts & Notes Receivable | 1,523.3 | 2,171.1 | -30% |
| Total Receivables | 1,523.3 | 2,171.1 | -30% |
| Inventories | 4,831.1 | 4,482.6 | |
| Other Current Assets | 4,041.5 | 3,108.6 | 30% |
| Total Current Assets | 11,017.9 | 10,135.3 | |
| Net Property, Plant & Equipment | 13,772.3 | 13,262.8 | |
| Long-term Investments | 2,451.6 | 2,120.7 | 16% |
| Other Long-Term Assets | 2,563.5 | 2,570.6 | |
| Total Assets | 29,805.3 | 28,089.4 | |
| LIABILITIES | | | |
| Short-term Borrowings | 4,223.8 | 4,068.2 | |
| Accounts Payable | 869.6 | 1,514.4 | -43% |
| Other Current Liabilities | 4,423.5 | 5,465.3 | -19% |
| Total Current Liabilities | 9,516.9 | 11,047.9 | -14% |
| Long-Term Debt | 4,189.4 | 3,301.9 | 27% |
| Other Non-Current Liabilities | 1,579.0 | 1,361.8 | 16% |
| Total Liabilities | 15,285.3 | 15,711.5 | |
| Minority Interest | 4.4 | - | |
| Additional Paid In Capital | 161.4 | 2,636.9 | -94% |
| Comprehensive Inc. and Other | 14,354.2 | 9,740.9 | 47% |
| Total Common Equity | 14,520.0 | 12,377.9 | 17% |
| Total Equity | 14,520.0 | 12,377.9 | 17% |
| Total Liabilities And Equity | 29,805.3 | 28,089.4 | |
| Book Value/Share | 89.9 | 76.7 | 17% |

| WACC | FY 2014 | | FY 2015 | | FY 2016 | |
|-------------------|-----------------|-------------------|-----------------|-------------------|-----------------|-------------------|
| Equity | | | | | | |
| Cost of Equity | 12.6% | | 12.0% | | 11.5% | |
| Weight of Equity | 46.2% | | 64.6% | | 76.3% | |
| Debt | | | | | | |
| Cost of Debt | 8.3% | | 8.1% | | 7.3% | |
| Weight of Debt | 53.8% | | 35.4% | | 23.7% | |
| WACC | 10.3% | | 10.6% | | 10.5% | |
| Capital Structure | FY 2014 | | FY 2015 | | FY 2016 | |
| | <i>Millions</i> | <i>% of Total</i> | <i>Millions</i> | <i>% of Total</i> | <i>Millions</i> | <i>% of Total</i> |
| Hist Market Cap | 6,778.6 | 46.2% | 13,468.4 | 64.6% | 27,022.4 | 76.3% |
| ST Borrowings | 3,786.6 | 25.8% | 4,068.2 | 19.5% | 4,223.8 | 11.9% |
| LT Borrowings | 4,120.8 | 28.1% | 3,301.9 | 15.8% | 4,189.4 | 11.8% |



DISHMAN PHARMACEUTICALS & CHEMICALS LTD

Energizing Life



| Cash Flows (In Mn) | FY 2015 | FY 2014 | FY 2013 |
|--|------------------|------------------|------------------|
| Net Income | 1,198.1 | 1,092.7 | 1,002.9 |
| Depreciation & Amort., Total | 1,507.1 | 1,085.6 | 838.4 |
| Other Non-Cash Adj | (591.7) | 656.7 | 347.1 |
| Changes in Non-Cash Capital | 37.7 | (34.3) | (1,167.5) |
| Cash from Ops. | 2,151.1 | 2,800.8 | 1,021.0 |
| Capital Expenditure | (1,554.3) | (2,992.0) | (1,387.9) |
| Sale of Property, Plant, and Equipment | 47.4 | 107.8 | 42.8 |
| Cash Acquisitions | (147.6) | - | - |
| Invest. in Marketable & Equity Secur. | (147.6) | - | - |
| Other Investing Activities | 115.1 | 67.4 | 19.0 |
| Cash from Investing | (1,687.0) | (2,816.7) | (1,326.1) |
| Net Short Term Debt Issued/Repaid | 281.6 | (137.1) | 970.3 |
| Long-Term Debt Issued | - | 1,296.0 | 464.4 |
| Long-Term Debt Repaid | (696.4) | (894.0) | (1,039.9) |
| Total Debt Issued/Repaid | (414.8) | 264.9 | 394.8 |
| Pref. Dividends Paid | (113.3) | (112.5) | (112.5) |
| Total Dividends Paid | (113.3) | (112.5) | (112.5) |
| Cash from Financing | (528.1) | 152.4 | 282.2 |
| Net Change in Cash | (63.9) | 136.4 | (22.9) |

| Key Financials | FY 2016 | FY 2014 | FY 2014 |
|--------------------------------------|-----------------|-----------------|-----------------|
| Total Revenue | 15,618.5 | 15,751.9 | 13,853.2 |
| <i>Growth Over Prior Year</i> | <i>(0.8%)</i> | <i>13.7%</i> | <i>8.9%</i> |
| EBITDA | 4,103.2 | 3,136.2 | 3,321.1 |
| <i>Margin %</i> | <i>26.3%</i> | <i>19.9%</i> | <i>24.0%</i> |
| EBIT | 3,012.6 | 1,629.1 | 2,235.4 |
| <i>Margin %</i> | <i>19.3%</i> | <i>10.3%</i> | <i>16.1%</i> |
| Net Income | 1,711.2 | 1,198.1 | 1,092.7 |
| <i>Margin %</i> | <i>11.0%</i> | <i>7.6%</i> | <i>7.9%</i> |
| Diluted EPS Excl. Extra Items | 10.60 | 7.43 | 6.77 |
| <i>Growth Over Prior Year</i> | <i>42.8%</i> | <i>9.7%</i> | <i>8.9%</i> |

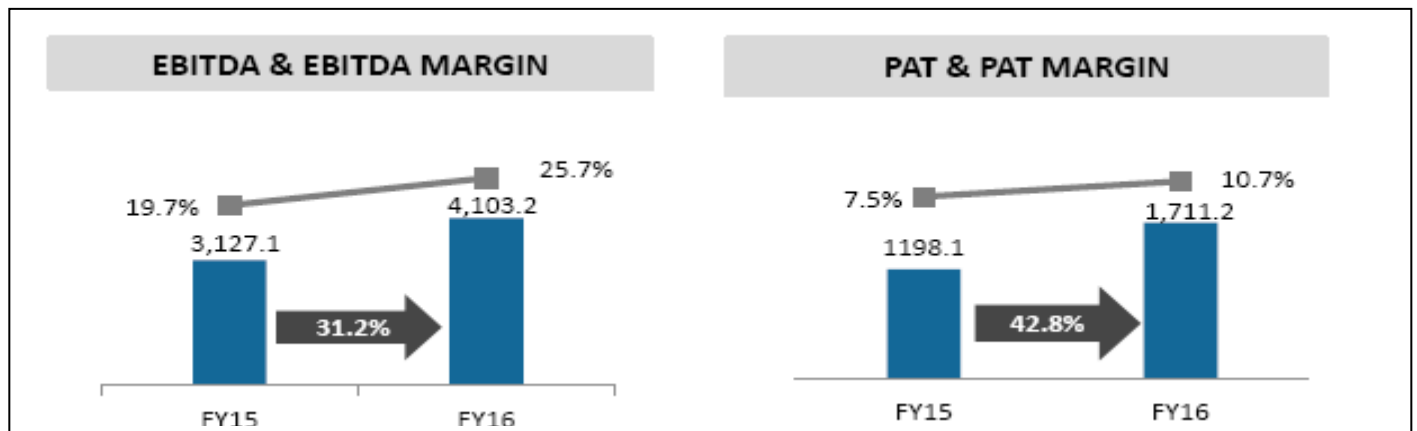
| Current Capitalization | (In Mn) |
|---------------------------------------|-----------------|
| Share Price (inr) | 138.5 |
| Shares Out. | 161.4 |
| Market Capitalization (inr) | 22,353.1 |
| - Cash & Short Term Investments | 622.0 |
| + Total Debt | 8,413.2 |
| + Pref. Equity | 0.0 |
| + Total Minority Interest | 4.4 |
| = Total Enterprise Value (inr) | 30,148.7 |
| Book Value of Common Equity | 14,515.6 |
| + Pref. Equity | 0.0 |
| + Total Minority Interest | 4.4 |
| + Total Debt | 8,413.2 |
| = Total Capital | 22,933.2 |



| Ratio Analysis | FY 2016 | FY 2015 | FY 2014 |
|--------------------------------|---------|---------|---------|
| Profitability | | | |
| Return on Assets | 5.9% | 4.4% | 4.4% |
| Return on Capital | 11.3% | 9.1% | 8.2% |
| Return on Equity | 12.7% | 9.9% | 9.9% |
| Margin Analysis | | | |
| EBITDA Margin | 26.3% | 19.9% | 24.0% |
| EBIT Margin | 19.3% | 10.3% | 16.1% |
| Earnings from Cont. Ops Margin | 19.3% | 10.3% | 16.1% |
| Net Income Margin | 11.0% | 7.6% | 7.9% |
| Normalized Net Income Margin | 11.0% | 7.5% | 7.9% |
| Asset Turnover | | | |
| Total Asset Turnover | 0.5x | 0.6x | 0.6x |
| Fixed Asset Turnover | 1.2x | 1.2x | 1.1x |
| Accounts Receivable Turnover | 8.5x | 8.7x | 12.8x |
| Short Term Liquidity | | | |
| Current Ratio | 1.2x | 0.9x | 0.9x |
| Quick Ratio | 0.2x | 0.2x | 0.2x |
| Cash from Ops. To Curr Liab | 0.1x | 0.0x | 0.0x |
| Avg. Days Sales Out. | 43.3x | 41.8x | 28.6x |
| Avg. Days Payable Out. | -- | 71.4x | 71.3x |
| Long Term Solvency | | | |
| Total Debt/Equity | 57.9% | 59.5% | 66.9% |
| Total Debt/Capital | 36.7% | 37.3% | 40.1% |
| LT Debt/Equity | 28.9% | 26.7% | 34.9% |

Ratio Analysis:

- Dishman 's debt equity has decreased
- Return on Asset has increased yoy
- Return on Equity has increased yoy





Peer Comparison

| Company Name: | <u>DISHMAN</u> | <u>UNICHEM</u> | <u>BIOCON</u> | <u>WOCKHARDT</u> | <u>LUPIN</u> |
|--------------------------|-----------------|-----------------|------------------|------------------|------------------|
| Latest Fiscal Year: | 3/31/2016 | 3/31/2016 | 3/31/2016 | 3/31/2016 | 3/31/2016 |
| 52-Week High | 209.90 | 334.10 | 765.00 | 1,745.00 | 2,129.00 |
| 52-Week High Date | 11/4/2015 | 10/6/2015 | 6/28/2016 | 12/2/2015 | 10/6/2015 |
| 52-Week Low | 79.07 | 186.45 | 395.30 | 705.75 | 1,280.00 |
| 52-Week Low Date | 6/29/2015 | 6/29/2015 | 8/24/2015 | 2/12/2016 | 3/29/2016 |
| Daily Volume | 463,181 | 362,097 | 716,036 | 535,909 | 910,521 |
| Current Price: | 138.50 | 290.30 | 740.20 | 914.85 | 1,532.90 |
| 52-Week High % Change | -34.0% | -13.1% | -3.2% | -47.6% | -28.0% |
| 52-Week Low % Change | 87.5% | 59.4% | 87.3% | 29.6% | 19.8% |
| Total Common Shares (M) | 161.4 | 90.8 | 200.0 | 110.5 | 450.6 |
| Market Capitalization | 22,353.1 | 26,376.1 | 148,040.0 | 101,091.8 | 691,091.7 |
| Total Debt | 8,413.2 | 359.6 | 25,032.0 | 22,041.9 | 71,193.1 |
| Minority Interest | 4.4 | - | 3,112.0 | 4,703.7 | 320.8 |
| Cash and Equivalents | 622.0 | 281.3 | 23,485.0 | 14,781.1 | 8,399.3 |
| Current Enterprise Value | 30,148.7 | 26,454.5 | 152,699.0 | 113,056.3 | 754,206.3 |

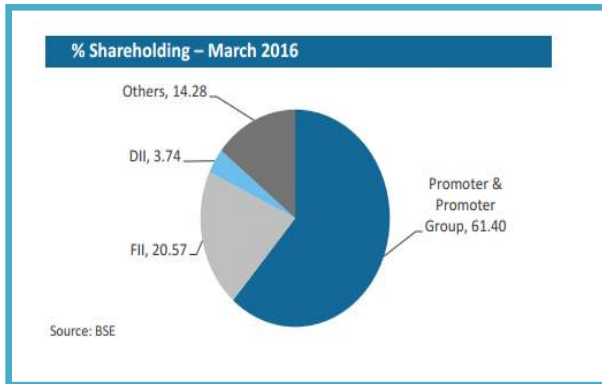
Above table shows that among all the peers DISHMAN has given highest return from 52 week low

| Price Performance Comparison | | | | | |
|------------------------------|--------|--------|--------|--------|-------------|
| INSTRUMENT | 1M | 3M | 6M | 1Y | Post Budget |
| <u>DISHMAN</u> | -10.08 | -18.92 | -13.66 | 77.01 | -9.45 |
| <u>BIOCON</u> | 7.11 | 55.36 | 47.87 | 61.78 | 60.38 |
| <u>UNICHEM</u> | 2.12 | 22.08 | 0.43 | 45.28 | 35.53 |
| <u>LUPIN</u> | 4.36 | 10.21 | -16.36 | -15.69 | -10.54 |
| <u>WOCKHARDT</u> | -1.85 | -4.01 | -41.67 | -34.18 | 16.41 |

Dishman is the top performer given highest return in last 1 year where its peers have given negative return.



Shareholding Pattern



| Geographic Ownership Distribution | |
|-----------------------------------|--------|
| Unknown Country | 83.50% |
| India | 5.29% |
| United States | 4.68% |
| Hong Kong | 4.30% |
| Luxembourg | 1.09% |
| Canada | 1.00% |
| Ireland | 0.13% |
| Others | 0.02% |

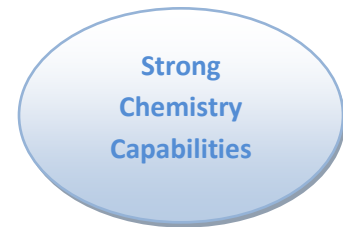
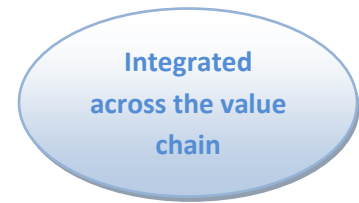
| Institutions holding securities more than 1% of total number of shares under category Public Shareholding. | Mar-16 | Dec-15 |
|--|--------|--------|
| Goldman Sachs (Singapore) PTE | 3.18 | 2.62 |
| Birla Sun Life Trustee Co. Pvt. Ltd A/C Birla Sun Life Equity Fund | 2.99 | 1.98 |
| LSV Emerging Markets Equity Fund Lp | 1.11 | |
| Dimensional emerging Markets Value Fund | 1.05 | 1.05 |



Business Strategy and Outlook

Higher Asset Turnover with efficient capacity utilization

- Improved capacity utilization through focus on large number of small & midsize companies.
- Diversify across Geographies - Target new geographies with increased penetration in US market and Leverage Cross Selling Opportunities.
- Efficient utilization of HIPO facility, India and China facility.



Focus on Improvement in Margins

- Better churning of existing capacities with focus on Low Volume High Value Orders resulting into better margins
- Incremental Revenues from HIPO business where Margins are higher in the range of 40-50%. EBIDTA Level.
- Margin improvement from value added order execution from renovated Vitamin D facility in Netherlands.



Reduction in Leverage & Improvement in Return Ratios

- No major capex planned for next two years.
- Incremental operating cash flows to be utilized for retirement of long term debt resulting to Robust Balance Sheet and Improved Return Ratios.





Investment Rationale

- The profitability of the company has increased dramatically in line with previous two to three quarters. So for the quarter ending March 31, 2016, on a consolidated basis, Dishman had a topline of 422 Crores with an EBITDA margin of 28% and profit after tax of close to 50 Crores which is about 12% of the revenue. For the full financial year, topline was 1600 Crores, with an EBITDA including other income of 27% and profit after tax of 171 Crores which represents 11% on the topline.
- PAT of 8% for the full financial year has gone up to 11%. Also operating performance was 21% EBITDA last year as compared to 26% this year which is a significant jump, but the main parameters behind this jump has been subsidiary operations as well as the parent operation. So Carbogen AMCIS margins have moved up from 17% to 19% for the full year. Netherlands has EBITDA margin of close to 30% as compared to last year which was close to 20%. CRAMS UK which last year was close to 32%, it has come down a bit. That was largely on account of most of the projects being handled out of India and China. China last year EBITDA was loss of close to 28 Crores, whereas this year topline was 50 Crores, EBITDA margin of 45%, so there has been a big turnaround for China.
- As per the Management “all subsidiaries including the parent have done exceedingly well and that story would continue even going forward. We will see significant improvement in the profitability going forward as well.”
- No major capex planned for next two years. Incremental operating cash flows to be utilized for retirement of long term debt resulting to Robust Balance Sheet and Improved Return Ratios.
- Better Churning of existing capacities will result in better margins.
- Dishman is targeting new geographies, with increased penetration in US and efficient utilization of HIPO facility and India and China facility will lead to improved capacity utilization.

We initiate coverage in [Dishman](#) as a BUY @135 with a target of Rs 200 representing a potential upside of 45% from the buy price. Dishman is trading at a low PE of 12.



Disclaimer:

Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014.

Dynamic Equities Pvt. Ltd. is a member of National Stock Exchange of India Ltd. (NSEIL), Bombay Stock Exchange Ltd (BSE), Multi Stock Exchange of India Ltd (MCX-SX) and also a depository participant with National Securities Depository Ltd (NSDL) and Central Depository Services Ltd.(CDSL). Dynamic is engaged in the business of Stock Broking, Depository Services, Investment Advisory Services and Portfolio Management Services.

Dynamic Equities Pvt. Ltd. is holding company of Dynamic Commodities Pvt. Ltd. , a member of Multi Commodities Exchange (MCX) & National Commodity & Derivatives Exchange Ltd.(NCDEX).

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered. SEBI, Exchanges and Depositories have conducted the routine inspection and based on their observations have issued advise letters or levied minor penalty on for certain operational deviations.

Answers to the Best of the knowledge and belief of Dynamic/ its Associates/ Research Analyst who prepared this report

- DYANMIC/its Associates/ Research Analyst/ his Relative have any financial interest in the subject company? No
- DYANMIC/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company? No
- DYANMIC/its Associates/ Research Analyst/ his Relative have any other material conflict of interest at the time of publication of the research report or at the time of public appearance? No
- DYANMIC/its Associates/ Research Analyst/ his Relative have received any compensation from the subject company in the past twelve months? No
- DYANMIC/its Associates/ Research Analyst/ his Relative have managed or co-managed public offering of securities for the subject company in the past twelve months? No
- DYANMIC/its Associates/ Research Analyst/ his Relative have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months? No
- DYANMIC/its Associates/ Research Analyst/ his Relative have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months? No
- DYANMIC/its Associates/ Research Analyst/ his Relative have received any compensation or other benefits from the Subject Company or third party in connection with the research report? No
- DYANMIC/its Associates/ Research Analyst/ his Relative have served as an officer, director or employee of the subject company? No
- DYANMIC/its Associates/ Research Analyst/ his Relative have been engaged in market making activity for the subject company? No

General Disclaimer: - This Research Report (hereinafter called "Report") is meant solely for use by the recipient and is not for circulation. This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through Dynamic nor any solicitation or offering of any investment /trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by Dynamic to be reliable. Dynamic or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of Dynamic shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including loss profits arising in any way whatsoever from the information / opinions / views contained in this Report. The price and value of the investments referred to in this Report and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. Dynamic levels do not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding taxation aspects of any potential investment.

Opinions expressed are our current opinions as of the date appearing on this Research only. We do not undertake to advise you as to any change of our views expressed in this Report. User should keep this risk in mind and not hold dynamic levels, its employees and associates responsible for any losses, damages of any type whatsoever. Dynamic and its associates or employees may; (a) from time to time, have long or short positions in, and buy or sell the investments in/ security of company (ies) mentioned herein and it may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Without limiting any of the foregoing, in no event shall Dynamic and its associates or employees or any third party involved in, or related to computing or compiling the information have any liability for any damages of any kind.

We and our affiliates/associates, officers, directors, and employees, Research Analyst(including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company (ies) discussed herein or act as advisor to such company (ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of Research Report. Dynamic may have proprietary long/short position in the above mentioned scrip(s) and therefore may be considered as interested. The views provided herein are general in nature and does not consider risk appetite or investment objective of particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with Dynamic.

Dynamic Equities Pvt. Ltd. are also engaged in Proprietary Trading apart from Client Business.

<https://www.dynamiclevels.com/en/disclaimer>