



# **DISHMAN PHARMACEUTICALS & CHEMICALS LTD**

JUNE 30, 2016

SECTOR PHARMACEUTICAL  
RECOMMENDATION

Buy @ 135, Target 200



**DYNAMIC LEVELS**

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## *Dishman Pharmaceuticals & Chemicals Ltd- Energizing Life*

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**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:

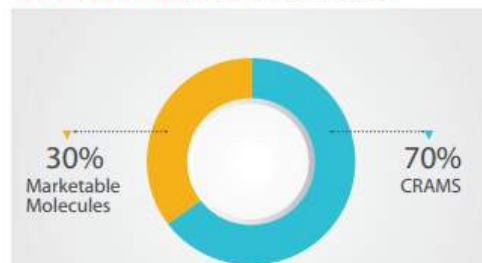
**1. Contract Research and Manufacturing Services (CRAMS):** Dishman is an integrated CRAMS player with strong capabilities across the value chain. The CRAMS unit manufactures drug quantities required for conducting clinical trials. The wholly owned subsidiary CARBOGEN AMCIS AG, located in Switzerland, 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	<b>22-Apr-2004</b>
Management	
Name	<b>Designation</b>
Rajendra S Shah	Addnl. & Ind.Director
Janmejay R Vyas	<b>Chairman &amp; Managing Director</b>
Ashok C Gandhi	Director
Sanjay S Majmudar	<b>Director</b>
Subir Kumar Das	Director
Mark C Griffiths	<b>Director &amp; Global CEO</b>
Arpit J Vyas	Managing Director & CFO
Deohooti J Vyas	<b>Whole Time Director</b>
<b>Registered Office Address</b>	
Bhadra - Raj Chambers, Swastik Cross Road, Navrangpura, 380009, Ahmedabad, Gujarat, India	
<b>Website</b>	
<a href="http://www.dishmangroup.com">http://www.dishmangroup.com</a>	

### 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 3<sup>rd</sup> 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 billion 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.

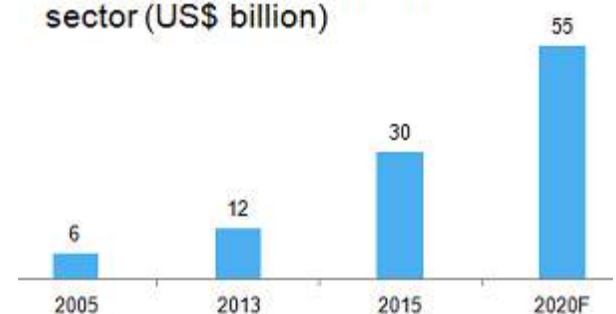
### Generic drugs form the largest segment

- 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.**

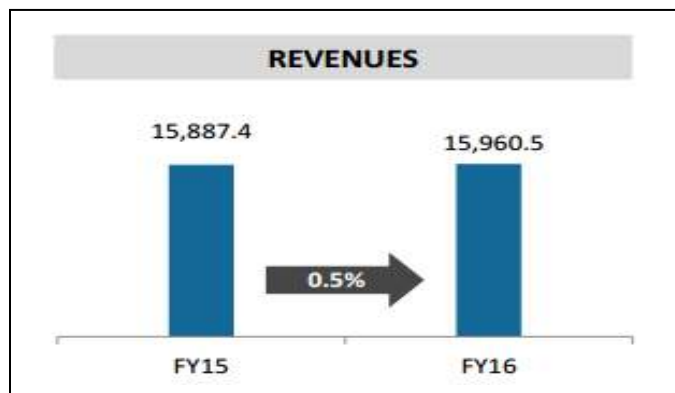
GOI plans to give incentive to bulk drug manufacturers

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



## Company Financials

Income Statement (in Cr)	FY 2016	FY 2015	% Change
	Annual	Annual	YoY
Net Sales/Income from operations	1,561.85	1,560.35	
Other Operating Income	34.20	14.84	130%
Total Income From Operations	<b>1,596.05</b>	<b>1,575.19</b>	
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	<b>1,294.79</b>	<b>1,412.11</b>	-8%
Operating Profit	<b>301.26</b>	<b>163.08</b>	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	<b>171.01</b>	<b>119.92</b>	43%
Share Of P/L Of Associates	0.11	0.05	
Net Profit/(Loss) For the Period	<b>171.12</b>	<b>119.97</b>	43%
Equity Share Capital	16.14	16.14	
Reserves	1,435.41	1,216.32	18%
Equity Dividend Rate (%)	--	--	
EPS (Rs.)	<b>21.20</b>	<b>14.87</b>	43%
Promoters and Promoter Group Shareholding Pledged	--	30.31	



### Profitability Highlights:

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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.

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Balance Sheet (In Mn)	FY 2016	FY 2015	% Change YoY
<b>ASSETS</b>			
Cash And Equivalents	622.0	241.0	158%
Short Term Investments	-	132.0	-100%
Total Cash & ST Investments	<b>622.0</b>	<b>373.0</b>	67%
Accounts & Notes Receivable	1,523.3	2,171.1	-30%
Total Receivables	<b>1,523.3</b>	<b>2,171.1</b>	-30%
Inventories	4,831.1	4,482.6	
Other Current Assets	4,041.5	3,108.6	30%
Total Current Assets	<b>11,017.9</b>	<b>10,135.3</b>	
Net Property, Plant & Equipment	<b>13,772.3</b>	<b>13,262.8</b>	
Long-term Investments	2,451.6	2,120.7	16%
Other Long-Term Assets	2,563.5	2,570.6	
Total Assets	<b>29,805.3</b>	<b>28,089.4</b>	
<b>LIABILITIES</b>			
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	<b>9,516.9</b>	<b>11,047.9</b>	-14%
Long-Term Debt	4,189.4	3,301.9	27%
Other Non-Current Liabilities	1,579.0	1,361.8	16%
Total Liabilities	<b>15,285.3</b>	<b>15,711.5</b>	
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	<b>14,520.0</b>	<b>12,377.9</b>	17%
Total Equity	<b>14,520.0</b>	<b>12,377.9</b>	17%
Total Liabilities And Equity	<b>29,805.3</b>	<b>28,089.4</b>	
Book Value/Share	89.9	76.7	17%

WACC	FY 2014		FY 2015		FY 2016	
<b>Equity</b>						
Cost of Equity	12.6%		12.0%		11.5%	
Weight of Equity	46.2%		64.6%		76.3%	
<b>Debt</b>						
Cost of Debt	8.3%		8.1%		7.3%	
Weight of Debt	53.8%		35.4%		23.7%	
<b>WACC</b>	<b>10.3%</b>		<b>10.6%</b>		<b>10.5%</b>	
<b>Capital Structure</b>						
	FY 2014		FY 2015		FY 2016	
	Millions	% of Total	Millions	% of Total	Millions	% of Total
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%



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
<b>Other Non-Cash Adj</b>	(591.7)	656.7	347.1
<b>Changes in Non-Cash Capital</b>	37.7	(34.3)	(1,167.5)
Cash from Ops.	<b>2,151.1</b>	<b>2,800.8</b>	<b>1,021.0</b>
<b>Capital Expenditure</b>	(1,554.3)	(2,992.0)	(1,387.9)
<b>Sale of Property, Plant, and Equipment</b>	47.4	107.8	42.8
<b>Cash Acquisitions</b>	(147.6)	-	-
<b>Invest. in Marketable &amp; Equity Secur.</b>	(147.6)	-	-
<b>Other Investing Activities</b>	115.1	67.4	19.0
Cash from Investing	<b>(1,687.0)</b>	<b>(2,816.7)</b>	<b>(1,326.1)</b>
<b>Net Short Term Debt Issued/Repaid</b>	281.6	(137.1)	970.3
<b>Long-Term Debt Issued</b>	-	1,296.0	464.4
<b>Long-Term Debt Repaid</b>	(696.4)	(894.0)	(1,039.9)
Total Debt Issued/Repaid	<b>(414.8)</b>	<b>264.9</b>	<b>394.8</b>
<b>Pref. Dividends Paid</b>	(113.3)	(112.5)	(112.5)
Total Dividends Paid	<b>(113.3)</b>	<b>(112.5)</b>	<b>(112.5)</b>
Cash from Financing	<b>(528.1)</b>	<b>152.4</b>	<b>282.2</b>
Net Change in Cash	<b>(63.9)</b>	<b>136.4</b>	<b>(22.9)</b>

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

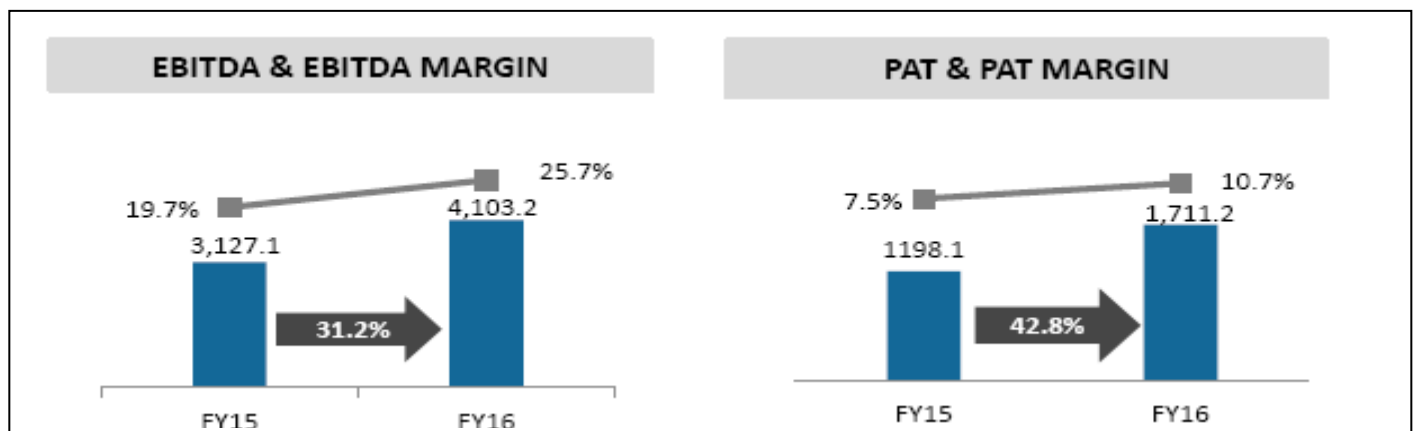
Current Capitalization	(In Mn)
Share Price (inr)	138.5
Shares Out.	161.4
<b>Market Capitalization (inr)</b>	<b>22,353.1</b>
- Cash & Short Term Investments	622.0
+ Total Debt	8,413.2
+ Pref. Equity	0.0
+ Total Minority Interest	4.4
<b>= Total Enterprise Value (inr)</b>	<b>30,148.7</b>
Book Value of Common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



Ratio Analysis	FY 2016	FY 2015	FY 2014
<b>Profitability</b>			
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%
<b>Margin Analysis</b>			
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%
<b>Asset Turnover</b>			
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
<b>Short Term Liquidity</b>			
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
<b>Long Term Solvency</b>			
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:	<b>138.50</b>	<b>290.30</b>	<b>740.20</b>	<b>914.85</b>	<b>1,532.90</b>
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	<b>22,353.1</b>	<b>26,376.1</b>	<b>148,040.0</b>	<b>101,091.8</b>	<b>691,091.7</b>
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	<b>30,148.7</b>	<b>26,454.5</b>	<b>152,699.0</b>	<b>113,056.3</b>	<b>754,206.3</b>

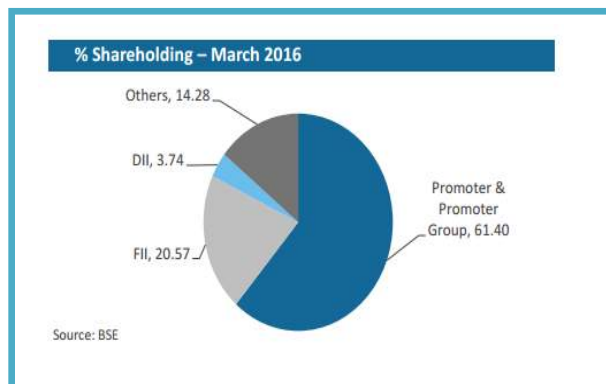
Above table shows that among all the peers DISHMAN has given highest return from 52 week low

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	
<b>Unknown Country</b>	83.50%
<b>India</b>	5.29%
<b>United States</b>	4.68%
<b>Hong Kong</b>	4.30%
<b>Luxembourg</b>	1.09%
<b>Canada</b>	1.00%
<b>Ireland</b>	0.13%
<b>Others</b>	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.

Integrated  
across the value  
chain

Strong  
Chemistry  
Capabilities

### 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.

Close Proximity  
to Clients with  
Global Presence

### 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.

Large Scale  
Low Cost  
Manufacturing  
Capabilities





## 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.***



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