

November 11, 2011

<b>Reco</b>	<b>Previous Reco</b>
Accumulate	Accumulate
<b>CMP</b>	<b>Target Price</b>
Rs46	Rs53
EPS change FY12E/13E (%)	NA
Target Price change (%)	- 58
Nifty	5,169
Sensex	17,193

### Price Performance

(%)	1M	3M	6M	12M
Absolute	(24)	(39)	(50)	(74)
Rel. to Nifty	(25)	(39)	(46)	(68)

Source: Bloomberg

### Relative Price Chart



Source: Bloomberg

### Stock Details

Sector	Pharmaceuticals
Bloomberg	DISH@IN
Equity Capital (Rs mn)	161
Face Value(Rs)	2
No of shares o/s (mn)	81
52 Week H/L	186/46
Market Cap (Rs bn/USD mn)	4/80
Daily Avg Volume (No of sh)	81007
Daily Avg Turnover (US\$m)	0.1

### Shareholding Pattern (%)

	Sep-11	Jun-11	Mar-11
Promoters	61.2	61.2	61.2
FII/NRI	6.8	8.3	8.7
Institutions	7.0	7.9	8.5
Private Corp	16.7	15.3	15.0
Public	8.2	7.3	6.6

Source: Capitaline

### Deepak Malik

deepak.malik@emkayglobal.com  
+91 22 6612 1257

### Ashish Thavkar

ashish.thavkar@emkayglobal.com  
+91 22 6612 1254

### Bhavita Nagrani

bhavita.nagrani@emkayglobal.com  
+91 22 6624 2486

- **Q2FY12 revenues at Rs2.7 bn grew by 27% YoY, Adj. EBIDTA at Rs471 mn grew by 174% YoY and APAT at Rs125mn was up 46% YoY**
- **Revenue growth was mainly driven by 28% growth in MM business. Improvement in profitability was primarily due to non-cash forex loss of Rs188mn vs. gain of Rs197mn in Q2FY11**
- **Going forward, commencement of supplies to Abbott for Teveten & Tricor API, commencement of Vit D plant in next month and ongoing supplies of Gemcitabine from Unit IX are key performance indicators**
- **We expect gradual recovery in business with +ve contribution from all the subsidiaries, however mounting debt remains a concern. Maintain Accumulate with a target price of Rs53**

### Results Highlights

- CRAMS business (contributed ~63%) grew at a subdued rate of 5% YoY and 6% QoQ to Rs1.7bn, which was led by
  - Carbogen Amcis (contributed ~39%) grew at a healthy rate of 16% YoY and 32% QoQ to Rs1.06bn
  - The rest of the CRAMS business reported negative growth of 10% YoY and 20% QoQ to Rs626mn led by weakening business environment for Dishman and lack of order executions
- Marketable Molecules business (contributed 37%) grew by 93% YoY to Rs1bn due to 36% growth in Vit D business and 145% growth in Quats business
- Gross margins contracted by 824bps YoY due to change in product mix
- EBITDA margins adjusting for non-cash forex loss of Rs188mn vs. gain of Rs197mn in Q2FY11 improved by 940bps to 17.5% in Q2FY12. APAT at Rs125mn increased by 46% to Rs125mn

### Future growth drivers

- Going forward, commencement of supplies to Abbott for Teveten (US\$100mn contract executable over the next 3 years) & Tricor API, commencement of Vit D plant in next month and ongoing supplies of Gemcitabine from Unit IX will drive growth
- Expected to commence the supply of key intermediate of a CVS drug for US market (peak revenues of US\$36mn) in FY13E

### Valuation

We expect Dishman to report 9% CAGR in revenues over FY11-13E. EBIDTA margins are expected to increase from 16.4% in FY11 to 18.1% in FY12E and 18.6% in FY13E. Earnings will grow by 33% CAGR over FY11-13E. We maintain our rating on the stock as Accumulate with a target price of Rs53. At CMP, Dishman trades at 6x FY12E and 5x FY13E EPS.

### Financials

YE- Mar	Net Sales	EBITDA (Core)	EBITDA (%)	APAT	EPS (Rs)	EPS % chg	RoE (%)	P/E	Rs mn	
									EV/ EBITDA	P/BV
FY10	9,154	2,038	22.3	919	11.4	(37.0)	15.7	4.0	5.6	0.5
FY11	9,908	1,622	16.4	437	5.4	(52.4)	9.7	8.5	7.6	0.4
FY12E	10,777	1,951	18.1	648	8.0	48.4	7.3	5.7	6.2	0.4
FY13E	11,772	2,190	18.6	774	9.6	19.4	8.1	4.8	5.4	0.4

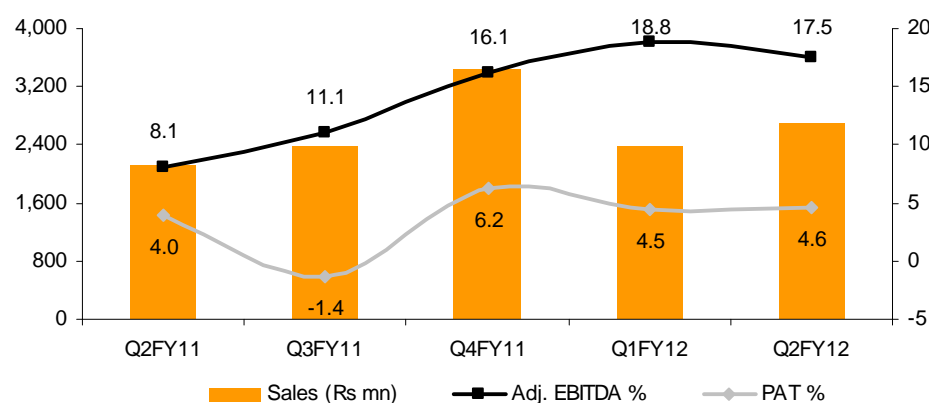
## Quarterly financials

Rs mn	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12	YoY (%)	QoQ (%)	YTD'12	YTD'11	YoY (%)
<b>Revenue</b>	<b>2,128</b>	<b>2,379</b>	<b>3,444</b>	<b>2,383</b>	<b>2,692</b>	<b>26.5</b>	<b>13.0</b>	<b>5,075</b>	<b>4,146</b>	<b>22.4</b>
<b>Expenditure</b>	<b>1,956</b>	<b>2,115</b>	<b>2,889</b>	<b>1,935</b>	<b>2,222</b>	<b>13.6</b>	<b>14.8</b>	<b>4,157</b>	<b>3,631</b>	<b>14.5</b>
as % of sales	91.9	88.9	83.9	81.2	82.5	(939.9)	132.3	81.9	87.6	
Consumption of RM	597	838	1,552	735	977	63.7	32.9	1,712	1,156	48.1
as % of sales	28.0	35.2	45.1	30.8	36.3	824.4	544.4	33.7	27.9	
Employee Cost	693	728	751	720	697	0.5	(3.3)	1,417	1,325	7.0
as % of sales	32.6	30.6	21.8	30.2	25.9	(670.2)	(435.5)	27.9	32.0	
Other expenditure	666	549	586	480	548	(17.7)	14.3	1,028	1,151	(10.7)
as % of sales	31.3	23.1	17.0	20.1	20.4	(1,094.2)	23.4	20.3	27.8	
<b>Adj. EBITDA</b>	<b>172</b>	<b>264</b>	<b>555</b>	<b>448</b>	<b>471</b>	<b>173.7</b>	<b>5.0</b>	<b>919</b>	<b>515</b>	<b>78.4</b>
<b>EBITDA</b>	<b>369</b>	<b>264</b>	<b>555</b>	<b>448</b>	<b>283</b>	<b>(23.4)</b>	<b>(36.9)</b>	<b>731</b>	<b>813</b>	<b>(10.1)</b>
Depreciation	168	171	187	187	207	23.2	11.0	394	329	19.6
<b>EBIT</b>	<b>201</b>	<b>93</b>	<b>368</b>	<b>261</b>	<b>76</b>	<b>(62.3)</b>	<b>(71.0)</b>	<b>337</b>	<b>484</b>	<b>(30.3)</b>
Other Income	(7)	-	32	-	5			5	5	-
Interest	95	133	105	137	150	57.5	9.4	288	178	62.1
<b>PBT</b>	<b>99</b>	<b>(40)</b>	<b>295</b>	<b>170</b>	<b>(258)</b>	<b>(360.2)</b>	<b>(251.1)</b>	<b>(87)</b>	<b>302</b>	<b>(128.8)</b>
Total Tax	14	(7)	67	17	(7)	(150.7)	(139.3)	11	48	(77.7)
<b>Adjusted PAT</b>	<b>85</b>	<b>(33)</b>	<b>214</b>	<b>107</b>	<b>(63)</b>	<b>(173.8)</b>	<b>(159.2)</b>	<b>44</b>	<b>255</b>	<b>(82.9)</b>
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0	-	-	0	0	-
<b>APAT after MI</b>	<b>85</b>	<b>(33)</b>	<b>214</b>	<b>107</b>	<b>125</b>	<b>45.8</b>	<b>16.9</b>	<b>231</b>	<b>255</b>	<b>(9.3)</b>
Extra ordinary items	198	51	14	46	-188	-	-	-141	298	-
<b>Reported PAT</b>	<b>283</b>	<b>17</b>	<b>228</b>	<b>153</b>	<b>(63)</b>	<b>(122.3)</b>	<b>(141.2)</b>	<b>90</b>	<b>553</b>	<b>(83.7)</b>
<b>EPS</b>	<b>1.1</b>	<b>(3.3)</b>	<b>2.7</b>	<b>1.3</b>	<b>1.5</b>	<b>45.8</b>	<b>16.9</b>	<b>2.9</b>	<b>3.2</b>	<b>(9.5)</b>

8.0 5.5 6.6

Margins (%)						(bps)	(bps)				(bps)
Adj. EBITDA	8.1	11.1	16.1	18.8	17.5	940	-132	18.1	12.4	568	
EBITDA	17.4	11.1	16.1	18.8	10.5	-685	-829	14.4	19.6	(521)	
EBIT	9.5	3.9	10.7	11.0	2.8	-664	-815	6.6	11.7	(502)	
EBT	4.7	(1.7)	8.6	7.2	(9.6)	-1422	-1672	(1.7)	7.3	(901)	
PAT	4.0	(1.4)	6.2	4.5	4.6	61	16	4.6	6.1	(159)	
Effective Tax rate	13.7	17.3	22.8	10.3	2.7	-1102	-760	(12.2)	15.7	(2,794)	

## Quarterly trend



**Revenue Break-up**

Rs mn	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12	YoY %	QoQ %	YTD'12	YTD'11	YoY %
<b>CRAMS</b>	<b>1608</b>	<b>1504</b>	<b>1931</b>	<b>1588</b>	<b>1688</b>	<b>5.0%</b>	<b>6.3%</b>	<b>3276</b>	<b>3035</b>	<b>7.9%</b>
India CRAMS	696	749	958	782	626	-10.0%	-19.9%	1408	1184	18.9%
Carbogen Amcis	912	756	973	806	1062	16.4%	31.8%	1868	1851	0.9%
<b>Marketable Molecules</b>	<b>520</b>	<b>736</b>	<b>1514</b>	<b>785</b>	<b>1004</b>	<b>93.1%</b>	<b>28.0%</b>	<b>1788</b>	<b>1112</b>	<b>60.9%</b>
Vitamin D	247	375	269	458	336	36.0%	-26.6%	794	563	41.1%
Quats	273	361	1245	327	668	144.8%	104.3%	994	549	81.1%
<b>Total Sales</b>	<b>2128</b>	<b>2240</b>	<b>3444</b>	<b>2372</b>	<b>2692</b>	<b>26.5%</b>	<b>13.5%</b>	<b>5064</b>	<b>4147</b>	<b>22.1%</b>

**Financial Snapshot**

Rs mn	FY11	FY12E	YoY %	FY132E	YoY %
<b>CRAMS</b>	<b>6547</b>	<b>7191</b>	<b>9.8%</b>	<b>8006</b>	<b>11.3%</b>
Solvay	1200	1200	0.0%	1200	0.0%
Carbogen Amcis	3656	3656	0.0%	4022	10.0%
Other Partners	1691	2335	38.1%	2785	19.3%
<b>Marketable Molecules</b>	<b>2155</b>	<b>2155</b>	<b>0.0%</b>	<b>2263</b>	<b>5.0%</b>
Vitamin D	1206	1431	18.7%	1502	5.0%
<b>Total Sales</b>	<b>9908</b>	<b>10777</b>	<b>8.8%</b>	<b>11772</b>	<b>9.2%</b>
<b>EBITDA</b>	<b>1,622</b>	<b>1,951</b>	<b>20.2%</b>	<b>2,190</b>	<b>12.2%</b>
EBITDA %	16.4	18.1		18.6	
<b>PAT</b>	<b>437</b>	<b>648</b>	<b>48.4%</b>	<b>774</b>	<b>19.4%</b>
PAT %	4.4	6.0		6.6	
<b>EPS</b>	<b>5.4</b>	<b>8.0</b>	<b>48.4%</b>	<b>9.6</b>	<b>19.4%</b>
PE @CMP	8.5	5.7		4.8	

**Valuation**

We expect Dishman to report 9% CAGR in revenues over FY11-13E. EBITDA margins are expected to increase from 16.4% in FY11 to 18.1% in FY12E and 18.6% in FY13E. Earnings will grow by 33% CAGR over FY11-13E. We maintain our rating on the stock as Accumulate with a target price of Rs53. At CMP, Dishman trades at 6x FY12E and 5x FY13E EPS.

## Financials

## Income Statement

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
<b>Net Sales</b>	<b>9,154</b>	<b>9,908</b>	<b>10,777</b>	<b>11,772</b>
<i>Growth (%)</i>	-13.8	8.2	8.8	9.2
<b>Expenditure</b>	<b>7,116</b>	<b>8,286</b>	<b>8,826</b>	<b>9,582</b>
Raw Materials	2,768	3,546	3,664	4,002
SGA	1,808	1,828	1,994	2,178
Employee Cost	2,541	2,804	3,018	3,237
Other Exp	0	109	151	165
<b>EBITDA</b>	<b>2,038</b>	<b>1,622</b>	<b>1,951</b>	<b>2,190</b>
<i>Growth (%)</i>	-22.1	-20.4	20.2	12.2
<b>EBITDA margin (%)</b>	<b>22.3</b>	<b>16.4</b>	<b>18.1</b>	<b>18.6</b>
Depreciation	594	688	784	866
<b>EBIT</b>	<b>1,444</b>	<b>935</b>	<b>1,166</b>	<b>1,323</b>
<b>EBIT margin (%)</b>	<b>15.8</b>	<b>9.4</b>	<b>10.8</b>	<b>11.2</b>
Other Income	13	39	60	60
Interest expenses	388	416	416	416
<b>PBT</b>	<b>1,326</b>	<b>907</b>	<b>810</b>	<b>968</b>
Tax	150	108	162	194
<i>Effective tax rate (%)</i>	11.3	11.9	20.0	20.0
<b>Adjusted PAT</b>	<b>917</b>	<b>437</b>	<b>648</b>	<b>774</b>
(Profit)/loss from JV's/Ass/MI	-2	0	0	0
<b>Adjusted PAT after MI</b>	<b>919</b>	<b>437</b>	<b>648</b>	<b>774</b>
<i>Growth (%)</i>	-37.5	-52.4	48.4	19.4
<b>Net Margin (%)</b>	<b>10.0</b>	<b>4.4</b>	<b>6.0</b>	<b>6.6</b>
E/O items	256	363	0	0
<b>Reported PAT</b>	<b>1,175</b>	<b>800</b>	<b>648</b>	<b>774</b>
<i>Growth (%)</i>	-20.0	-31.9	-18.9	19.4

## Cash Flow

Y/E, Mar (Rs. mn)	FY10	FY11P	FY12E	FY13E
<b>PBT (Ex-Other income)</b>	1,313	868	750	908
Depreciation	594	688	784	866
Interest Provided	388	416	416	416
Other Non-Cash items	0	0	0	0
Chg in working cap	562	425	-267	-313
Tax paid	-35	-108	-162	-194
<b>Operating Cashflow</b>	<b>2,822</b>	<b>2,289</b>	<b>1,521</b>	<b>1,683</b>
Capital expenditure	-1,771	-2,844	-1,000	-1,000
<b>Free Cash Flow</b>	<b>1,051</b>	<b>-555</b>	<b>521</b>	<b>683</b>
Other income	13	39	60	60
Investments	0	0	0	0
<b>Investing Cashflow</b>	<b>-1,758</b>	<b>-2,805</b>	<b>-940</b>	<b>-940</b>
Equity Capital Raised	-192	-122	0	0
Loans Taken / (Repaid)	503	949	-100	-400
Interest Paid	-388	-416	-416	-416
Dividend paid (incl tax)	-113	-113	-113	-113
Income from investments	0	0	0	0
Others	-871	188	0	0
<b>Financing Cashflow</b>	<b>-1,061</b>	<b>486</b>	<b>-629</b>	<b>-929</b>
<b>Net chg in cash</b>	<b>3</b>	<b>-29</b>	<b>-48</b>	<b>-187</b>
Opening cash position	452	455	425	378
<b>Closing cash position</b>	<b>455</b>	<b>425</b>	<b>378</b>	<b>191</b>

## Balance Sheet

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
Equity share capital	161	161	161	161
Reserves & surplus	7,619	8,504	9,040	9,701
<b>Net worth</b>	<b>7,780</b>	<b>8,665</b>	<b>9,201</b>	<b>9,862</b>
<b>Minority Interest</b>	<b>63</b>	<b>0</b>	<b>0</b>	<b>0</b>
Secured Loans	7,169	7,618	7,418	7,118
Unsecured Loans	571	1,071	1,171	1,071
<b>Loan Funds</b>	<b>7,739</b>	<b>8,689</b>	<b>8,589</b>	<b>8,189</b>
Net deferred tax liability	316	316	316	316
<b>Total Liabilities</b>	<b>15,898</b>	<b>17,671</b>	<b>18,106</b>	<b>18,367</b>
Gross Block	10,910	17,328	18,328	19,328
Less: Depreciation	2,481	3,169	3,953	4,819
<b>Net block</b>	<b>8,429</b>	<b>14,160</b>	<b>14,375</b>	<b>14,509</b>
Capital work in progress	3,574	0	0	0
<b>Investment</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>
<b>Current Assets</b>	<b>5,880</b>	<b>6,567</b>	<b>6,754</b>	<b>7,031</b>
Inventories	2,423	2,702	2,964	3,237
Sundry debtors	1,131	1,737	1,796	1,962
Cash & bank balance	455	425	378	65
Loans & advances	1,871	1,703	1,617	1,766
Other current assets	0	0	0	0
<b>Current liab &amp; Prov</b>	<b>2,000</b>	<b>3,071</b>	<b>3,038</b>	<b>3,187</b>
Current liabilities	1,617	2,703	2,335	2,551
Provisions	382	368	703	636
<b>Net current assets</b>	<b>3,880</b>	<b>3,497</b>	<b>3,717</b>	<b>3,844</b>
<b>Total Assets</b>	<b>15,898</b>	<b>17,671</b>	<b>18,106</b>	<b>18,367</b>

## Key Ratios

Y/E, Mar	FY10	FY11	FY12E	FY13E
<b>Profitability (%)</b>				
EBITDA Margin	22.3	16.4	18.1	18.6
Net Margin	10.0	4.4	6.0	6.6
ROCE	9.2	5.5	6.3	7.0
ROE	15.7	9.7	7.3	8.1
RoIC	8.8	5.1	5.4	6.0
<b>Per Share Data (Rs)</b>				
EPS	11.4	5.4	8.0	9.6
CEPS	15.6	9.4	17.8	20.3
BVPS	97.2	107.4	114.0	122.2
DPS	1.5	1.0	0.8	0.8
<b>Valuations (x)</b>				
PER	4.0	8.5	5.7	4.8
P/CEPS	3.0	4.9	2.6	2.3
P/BV	0.5	0.4	0.4	0.4
EV / Sales	1.2	1.2	1.1	1.0
EV / EBITDA	5.6	7.6	6.2	5.4
Dividend Yield (%)	3.3	2.1	1.7	1.7
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	0.9	0.9	0.9	0.8
Net Debt/EBIDTA	3.5	5.0	4.2	3.7
Working Cap Cycle (days)	152	127	137	137

**Recommendation History: Dishman Pharma – DISH IN**

Date	Reports	Reco	CMP	Target
28/07/2011	<a href="#">Dishman Pharma Q1FY12 Result Update</a>	Accumulate	89	125
26/05/2011	<a href="#">Dishman Pharma Q4FY11 Result Update</a>	Accumulate	96	125
11/04/2011	<a href="#">Dishman Pharma Management Meet Update</a>	Accumulate	102	125
14/02/2011	<a href="#">Dishman Pharma Q3FY11Result Update</a>	Hold	117	118

**Recent Research Reports**

Date	Reports	Reco	CMP	Target
11/11/2011	<a href="#">Cadila Q2FY12 Result Update</a>	Hold	760	760
09/11/2011	<a href="#">Lupin Q2FY12 Result Update</a>	Accumulate	475	501
09/11/2011	<a href="#">Ranbaxy Labs Q3CY11 Result Update</a>	Hold	475	513
09/11/2011	<a href="#">Glenmark Pharma Q2FY12 Result Update</a>	Buy	319	401

**Emkay Global Financial Services Ltd.**

Corporate Add: B – Ruby Mills Tower, 7<sup>th</sup> Floor, South East Wing, Senapati Bapat Marg, Dadar (W), Mumbai - 400028 India.

Tel.: +912266121212 Web: [www.emkayglobal.com](http://www.emkayglobal.com)

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