

Current	Previous
<b>CMP : Rs.94</b>	
<b>Rating : BUY</b>	<b>Rating : BUY</b>
<b>Target : Rs.144</b>	<b>Target : Rs.144</b>

**STOCK INFO**

BSE	532526
NSE	DISHMAN
Bloomberg	DISH IN
Reuters	DISH.BO
Sector	Pharmaceutical
Face Value (Rs)	2
Equity Capital (Rs mn)	161
Mkt Cap (Rs mn)	7,567
52w H/L (Rs)	125/41
Avg Daily Vol (BSE+NSE)	178,502

**SHAREHOLDING PATTERN**

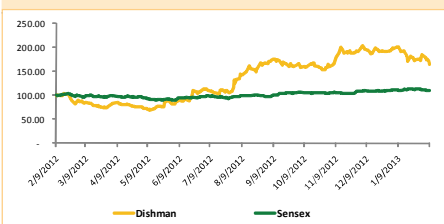
	%
<i>(as on 31st Dec. 2012)</i>	
Promoters	61.36
FII's	8.40
DII's	6.05
Public & Others	24.19

Source: BSE

STOCK PERFORMANCE (%)	1m	3m	12m
DISHMAN	-17.9	-13.1	64.6
SENSEX	-0.9	4.4	9.3

Source: Capitaline, IndiaNivesh Research

**DISHMAN PHARMA. v/s SENSEX**



Source: Capitaline, IndiaNivesh Research

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Dishman reported revenue growth of 19.6% y-o-y (9.8% q-o-q) to Rs 3.18 billion in Q3FY13 (V/s INSPL est= Rs 3.23 billion). CA (Carbogen Amcis) business grew 32.3% y-o-y to Rs 1.35 billion, India CRAMS (including UK CRAMS) grew 10.3% y-o-y to Rs 737 million, while MM business grew 42.5% y-o-y to Rs 637 million. Overall growth was partially offset by 14% decline in Vit D business.

Gross margins declined ~104 bps y-o-y (down, 420 bps q-o-q) to 65.8% in Q3FY13 due to change in product mix mainly linked with Vit D business.

Company's adjusted EBITDA (adjusting for forex & other operating income) grew 16.7% y-o-y to Rs 567 million in Q3FY13 (V/s INSPL est=Rs 695 million). EBITDA margins declined 46 bps y-o-y (down 227 bps q-o-q) to 17.8% level mainly due to increase in material cost & employee cost partially offset by decline in other expenses. Due to decline in effective tax rate from 36% in Q3FY12 to 27% in Q3FY13, Company's adjusted PAT grew 99% to Rs 172 million in Q3FY13 (V/s INSPL est= Rs 234 million).

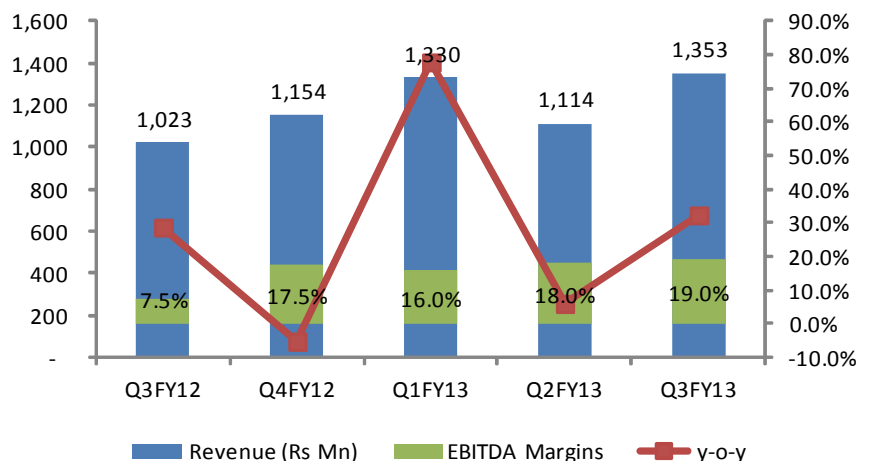
**Revenue Mix:**

Segment Wise Revenue (Rs Mn)	Q3FY13	Contri	Q3FY12	Contri	y-o-y
India & UK CRAMS	737	23%	668	25%	10.3%
Carbogen AMCIS	1,353	43%	1,023	39%	32.3%
<b>Total CRAMS</b>	<b>2,091</b>	<b>66%</b>	<b>1,691</b>	<b>64%</b>	<b>23.6%</b>
MM	647	20%	454	17%	42.5%
Vit D	438	14%	509	19%	-14.0%
<b>Total MM</b>	<b>1085</b>	<b>34%</b>	<b>964</b>	<b>36%</b>	<b>12.6%</b>
<b>Total Business</b>	<b>3,176</b>	<b>100%</b>	<b>2,655</b>	<b>100%</b>	<b>19.6%</b>

Source: Company Filings; IndiaNivesh Research

**Trend in various segments:**

**Carbogen Amcis (CA) Revenue & EBITDA trend:**

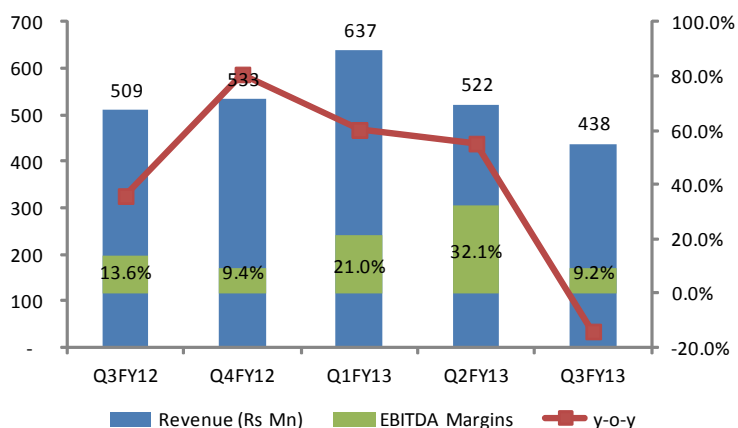


Source: Company Filings; IndiaNivesh Research

Sequential improvement in EBITDA margin to 19% level in Q3FY13.

In 9MFY13 CA has reported revenue of CHF 65 million, Management expects ~CHF 90 million revenue in FY13E & healthy ramp up in FY14E.

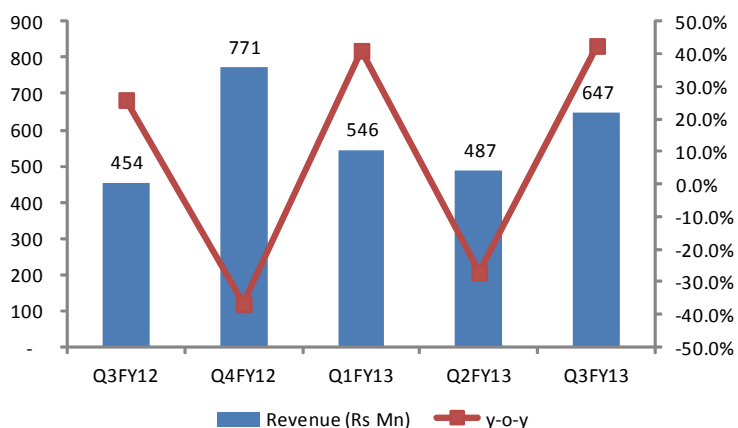
### Dishman Netherland Revenue & EBITDA trend:



Source: Company Filings; IndiaNivesh Research

Dishman Netherland business declined 14% y-o-y to Rs 438 million in Q3FY13. Exceptionally, higher EBITDA margin during the previous quarter were due to material cost realization at low cost linked with inventory from India. EBITDA margins to stabilize at 22-23% level.

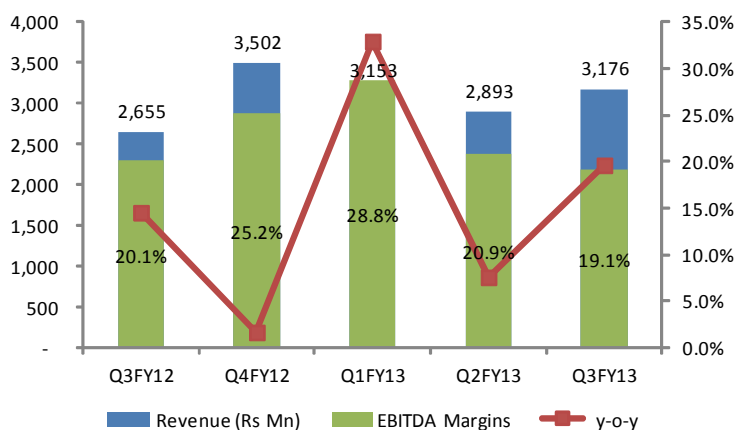
### Market Molecules (MM) business trend:



Source: Company Filings; IndiaNivesh Research

MM business grew 42.5% y-o-y to Rs 647 million due to commencement in new orders for business.

### Consolidated Revenue & Margin Trends:



Source: Company Filings; IndiaNivesh Research

Despite healthy growth & healthy margins in CA business, consolidated margins declined sequentially due to lower margins in Vit D business. We expect company to report EBITDA margins of ~21.2% in FY13 and ~ 100 bps expansions in FY14E & FY15E on the back of healthy revenue from HiPO IX facility, CA business & India CRAMS business.

### Valuations:

Company's performance was below expectations during the quarter, mainly due to volatile performance of Vit D business, which according to management, is likely to stabilize in FY14E. However, key positive to observe was healthy performance of CA business & sequential increase in EBITDA margins on the back of favorable product mix. Additionally, MM business contributed to the overall performance of the company. Owing to strong order book, increase in capacity utilization & foray into Generic APIs, company would maintain the growth momentum and margins in the near to medium term. However, owing to current quarter performance, we have adjusted company's EBITDA margins for FY13E & FY14E & maintained revenue estimates.

At CMP of Rs 94, the stock is trading at P/E multiple of 8x of FY13E & 6.4x of FY14E earnings estimates. In the last 2 years, stock has de-rated sharply due to its poor & inconsistency in performance, debt concerns & management's poor execution ability. Stock had traded at an average PE of between 6-7x. Anticipating, worst to be behind & better performance going forward. We maintain BUY rating on the stock with the target price of Rs 144. (Valuing at ~10x of FY14E earnings estimates).

#### Q3 FY13 Cons

Particulars (Rs Mn except EPS)	Q3FY13	Q3FY12	Y-o-Y	Q2FY13	Q-o-Q	FY12
Net Sales	3,176	2,655	19.6%	2,893	9.8%	11,221
<b>Total Income</b>	<b>3,176</b>	<b>2,655</b>	<b>19.6%</b>	<b>2,893</b>	<b>9.8%</b>	<b>11,221</b>
(increase)/Decrease in closing stock	187	111	NM	(599)	-131.2%	(53)
Consumption of raw material	798	650	22.6%	1,464	-45.5%	3,453
Purchase of finished goods	101	118	-14.3%	2	5583.6%	441
Employee Cost	911	722	26.1%	846	7.7%	2,942
Other Expenditure	612	567	8.1%	597	2.5%	2,213
<b>Total Expenditure</b>	<b>2,609</b>	<b>2,169</b>	<b>20.3%</b>	<b>2,311</b>	<b>12.9%</b>	<b>8,996</b>
<b>EBITDA</b>	<b>567</b>	<b>486</b>	<b>16.7%</b>	<b>582</b>	<b>-2.6%</b>	<b>2,225</b>
Depreciation & Ammortization	207	191	8.4%	204	1.5%	765
<b>EBIT</b>	<b>360</b>	<b>295</b>	<b>22.0%</b>	<b>378</b>	<b>-4.8%</b>	<b>1,459</b>
Interest Expenses/ (income)	206	199	3.3%	194	6.1%	729
Other Income	79	83	-5.7%	22	260.2%	269
<b>Pre-tax Profit</b>	<b>233</b>	<b>179</b>	<b>29.9%</b>	<b>206</b>	<b>13.1%</b>	<b>999</b>
Tax	61	93	-34.6%	71	-14.4%	312
<b>Net Profit adj</b>	<b>172</b>	<b>86</b>	<b>99.2%</b>	<b>135</b>	<b>27.5%</b>	<b>687</b>
Extraoridanary Items	(0)	-		-		1
Forex gain (loss)	(8)	81		133		(119)
<b>Net Profit Reported</b>	<b>164</b>	<b>168</b>	<b>-2.3%</b>	<b>268</b>	<b>-38.8%</b>	<b>569</b>
Adj EPS	2.1	1.1		1.7	27.5%	8.52
Adj O/ Share ( In Million)	81	81	0%	81		81

Ratios	Q3FY13	Q3FY12	Bps	Q2FY13	Bps	FY12
Gross Margins	65.8%	66.9%	(104)	70.0%	(419)	65.8%
EBITDA margin	17.8%	18.3%	(46)	20.1%	(227)	19.8%
Adj Net Margin	5.4%	3.3%	216	4.7%	75	6.1%
Material cost/Net Sales	34.2%	33.1%	104	30.0%	419	34.2%
Employee Cost/ Net Sales	28.7%	27.2%	147	29.2%	(56)	26.2%
Other Expenditure/ Net Slaes	19.3%	21.3%	(206)	20.6%	(136)	19.7%
Tax Rate	27.0%	35.6%	(860)	20.9%	608	35.4%

Source: Company Filings; IndiaNivesh Research

## Consolidated Financial Statements

## Profit &amp; Loss

Y E March (Rs m)	FY12	FY13e	FY14e	FY15e
Net sales	11,221	12,814	14,616	16,937
Growth %	13.2%	14.2%	14.1%	15.9%
<b>Expenditure</b>				
Raw Material	3,453	3,652	4,122	4,793
Finished goods	441	384	438	508
Employee cost	2,942	3,498	3,946	4,488
Other expenses	2,213	2,563	2,923	3,387
<b>EBITDA</b>	<b>2,225</b>	<b>2,717</b>	<b>3,186</b>	<b>3,760</b>
Growth %	37.1%	22.1%	17.3%	18.0%
<b>EBITDA Margin %</b>	<b>19.8%</b>	<b>21.2%</b>	<b>21.8%</b>	<b>22.2%</b>
Depreciation	765	810	893	964
EBIT	1,459	1,907	2,293	2,795
EBIT Margin %	7.8%	9.8%	11.1%	12.6%
Other Income	130	52	30	36
Interest	729	782	782	782
PBT	880	1,262	1,621	2,136
Tax	312	315	438	641
Effective tax rate %	35.4%	25.0%	27.0%	30.0%
Extraordinary items	0	0	0	0
Minority Interest				
<b>Adjusted PAT</b>	<b>687</b>	<b>946</b>	<b>1,183</b>	<b>1,495</b>
Growth%	61.9%	37.8%	25.0%	26.3%
<b>PAT margin %</b>	<b>6.1%</b>	<b>7.4%</b>	<b>8.1%</b>	<b>8.8%</b>
Reported PAT	568	946	1,183	1,495
Growth%	-30.2%	66.5%	25.0%	26.3%

## Cash Flow

Y E March (Rs m)	FY12	FY13e	FY14e	FY15e
<b>PBT</b>	<b>880</b>	<b>1,262</b>	<b>1,621</b>	<b>2,136</b>
Depreciation	765	810	893	964
Interest	729	782	782	782
Other non cash charges				
Changes in working capital	(62)	(721)	(1,409)	(1,303)
Tax	(312)	(315)	(438)	(641)
<b>Cash flow from operations</b>	<b>2,313</b>	<b>2,133</b>	<b>1,887</b>	<b>2,579</b>
Capital expenditure	(1,122)	(1,025)	(1,023)	(1,101)
<b>Free Cash Flow</b>	<b>1,191</b>	<b>1,108</b>	<b>864</b>	<b>1,478</b>
Other income				
Investments				
<b>Cash flow from investments</b>	<b>(1,122)</b>	<b>(1,025)</b>	<b>(1,023)</b>	<b>(1,101)</b>
Equity capital raised	-	-	-	-
Loans availed or (repaid)	-	-	-	-
Interest paid	(729)	(782)	(782)	(782)
Dividend paid (incl tax)	-	-	-	-
Inc from other investments				
<b>Cash flow from Financing</b>	<b>(1,041)</b>	<b>(1,097)</b>	<b>(1,220)</b>	<b>(1,423)</b>
Net change in cash	150	10	(355)	56
Cash at the beginning of the year	425	575	586	230
<b>Cash at the end of the year</b>	<b>575</b>	<b>586</b>	<b>230</b>	<b>286</b>

## Balance sheet

Y E March (Rs m)	FY12	FY13e	FY14e	FY15e
Share Capital	161	161	161	161
Reserves & Surplus	9,199	10,145	11,328	12,823
<b>Net Worth</b>	<b>9,360</b>	<b>10,306</b>	<b>11,490</b>	<b>12,984</b>
Secured Loans	7,745	7,745	7,745	7,745
Unsecured Loans	944	944	944	944
<b>Total debt</b>	<b>8,689</b>	<b>8,689</b>	<b>8,689</b>	<b>8,689</b>
Net deferred tax liability				
<b>Total Liabilities</b>	<b>18,049</b>	<b>18,995</b>	<b>20,178</b>	<b>21,673</b>
Gross Block	16,914	18,118	19,320	20,599
Less Depreciation	4,044	4,854	5,747	6,711
<b>Net Block</b>	<b>12,947</b>	<b>13,341</b>	<b>13,649</b>	<b>13,964</b>
Capital Work in Progress	1,646	1,468	1,289	1,110
Investments	14	14	14	14
<b>Current Assets</b>				
Inventories	2,767	3,160	4,004	5,104
Sundry Debtors	1,906	2,177	2,403	2,784
Cash & Bank Balance	575	586	230	286
Loans & advances	1,683	1,922	2,192	2,541
<b>Current Liabilities &amp; provisions</b>				
Current Liabilities	2,830	2,964	2,842	3,299
Provisions	337	384	438	508
<b>Net Current Assets</b>	<b>3,764</b>	<b>4,495</b>	<b>5,549</b>	<b>6,907</b>
<b>Total assets</b>	<b>18,049</b>	<b>18,995</b>	<b>20,179</b>	<b>21,673</b>

## Key ratios

Y E March	FY12	FY13e	FY14e	FY15e
EPS (Rs)	8.5	11.7	14.7	18.5
Cash EPS (Rs)	28.7	26.4	28.0	28.0
DPS (Rs)	-	-	-	-
BVPS	116	128	142	161
ROCE	8.1%	10.0%	11.4%	12.9%
ROE	7.3%	9.2%	10.3%	11.5%
EBITDA Margin %	19.8%	21.2%	21.8%	22.2%
Net Margin %	6.1%	7.4%	8.1%	8.8%
PER (x)	11.0	8.0	6.4	5.1
P/BV (x)	0.8	0.7	0.7	0.6
P/CEPS (x)	3.3	3.6	1.4	1.4
EV/EBITDA (x)	7.06	5.78	5.04	4.25
Dividend Yield %	0.0%	0.0%	0.0%	0.0%
m cap/sales (x)	0.7	0.6	0.5	0.4
net debt/equity (x)	0.9	0.8	0.8	0.7
net debt/ebitda (x)	3.9	3.2	2.7	2.3

Source: Company Filings; IndiaNivesh Research



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