

Weak performance, Outlook remains positive; Maintain buy

DCAL Q1FY20 revenue came below our estimate at INR 5,219mn (est. INR5,461mn) Up 8.2% YoY due to flat revenue growth from Carbogen Amcis AG with 52% contribution in Q1 revenues. CRAMS India revenues grew by 28% YoY and accounted for 15% of the revenue. Carbogen Amcis BV revenues increased by 8.6% YoY on account of better sales of Vitamin D analogues and cholesterol. EBITDA margins declined from 25% to 22.9% (est.26.1%) on a YoY basis led by compression in gross margin (75% vs 77.1%) due to adverse product mix. PAT de-grew by 13.4% YoY to INR343mn, below our estimate of INR539mn due operationally weak performance. However, management kept their revenue growth guidance unchanged at 10% YoY with EBITDA margin between 26%-27% for FY20E. As we witnessed, better recovery in H2 in last two year, we expect this trend to continue this year as well with expected better commercial orders in Q3 and Q4.

Order book & pipeline remain strong

Currently, the order book at Carbogen Amcis Switzerland stands at around US\$75mn-US\$80mn. There are around 16-18 molecules in late Phase-3/early commercial development for the Dishman Carbogen Group, of which around 50% into oncology. Revenues from the new custom synthesis facility in Switzerland are yet to commence and is expected to add about US\$10-US\$12mn in next 18 months.

Valuation & Outlook

We expect a significant growth in earnings over the next couple of years (earnings CAGR of ~31.1% in FY19-21E versus ~13.1% (incl. amortization of goodwill) in FY13-19), which will aid to generate sizable cash flows. Apart from Niraparib, the visibility of new products has increased with 3 product filings from customers, which will not only accelerate growth, but also de-risk earnings from blockbuster products. The emerging signs of a recovery in Carbogen, robust prospects from Vitamin D business, lower capex cycle, concentration on sweating off the assets and improving the financial ratios like Debt/Equity and ROCE, give us confidence in its performance. Given its significant operating leverage, a pick-up in revenue growth can deliver significant earnings upside and trigger a re-rating. We value the company at INR313 (14x FY21 earnings) and maintain our BUY rating on the stock.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook Positive

Stock

CMP (INR)	165
Target Price (INR)	313
BSE code	540701
NSE Symbol	DCAL
Bloomberg	DCAL IN
Reuters	DSHM.BO

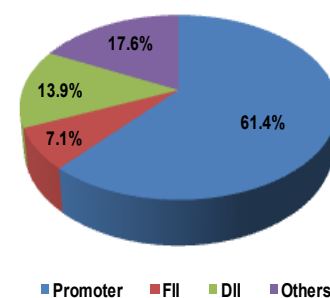
Key Data

Nifty	10,829
52WeekH/L(INR)	315/159
O/s Shares (Mn)	161
Market Cap (INR bn)	26
Face Value (INR)	2

Average volume

3 months	155,640
6 months	138,130
1 year	146,720

Share Holding Pattern (%)

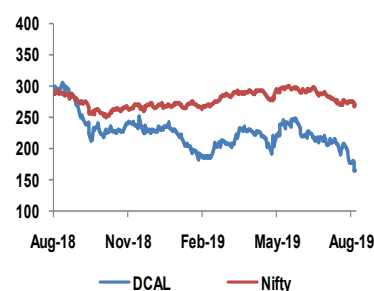


Key Financials (Consolidated)					
YE March (Rs. mn)	FY17	FY18	FY19E	FY20E	FY21E
Revenue	17,137	16,948	20,586	22,592	26,145
Growth %	7%	-1%	21%	10%	16%
EBIDTA	4,534	4,380	5,519	6,391	7,721
Growth%	10%	-3%	26%	16%	21%
Net Profit	1,472	1,546	2,103	2,674	3,613
Growth %	-14%	5%	36%	27%	35%
Diluted EPS	9	10	13	17	22
Growth %	-14%	5%	36%	27%	35%

Profitability & Valuation					
	FY17	FY18	FY19E	FY20E	FY21E
EBIDTA (%)	26%	26%	27%	28%	30%
NPM (%)	9%	9%	10%	12%	14%
RoE (%)	5%	3%	4%	5%	6%
RoCE (%)	6%	4%	5%	6%	8%
P/E (x)	18.1	17.2	12.7	10.0	7.4
EV/EBITDA (x)	7.5	8.0	6.3	5.1	3.9
P/BV (x)	0.6	0.5	0.5	0.5	0.4

Source: Company, BP Equities Research

Relative Price Chart



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Dishman Carbogen Amcis Ltd Q1FY20 Quarterly Result

YE March (Rs. mn)	Q1 FY20	Q4 FY19	Q-o-Q change %	Q1 FY19	Y-o-Y change %
Net Sales	5,013	6,114	(18.0%)	4,487	11.7%
Other Operating Income	206	383		335	
Total Revenue	5,219	6,497	(19.7%)	4,822	8.2%
Less:					
Raw Material Cost	1,303	1,525	(14.6%)	1,102	18.2%
Operating & Manufacturing Expenses	786	1,234	(36.3%)	791	(0.6%)
Employee Cost	1,936	2,045	(5.3%)	1,721	12.5%
Loss on Foreign Exchange Loan	0	0	0.0%	0	0.0%
Total Expenditure	4,025	4,803	(16.2%)	3,615	11.3%
EBIDTA	1,194	1,694	(29.5%)	1,208	(1.1%)
Less: Depreciation	673	707	(4.8%)	541	24.3%
EBIT	522	987	(47.2%)	667	(21.7%)
Less: Interest	137.9	126.5	9.0%	147.0	(6.2%)
Add: Other income	78	198		61	28.2%
Profit before tax	462	1,059	(56.4%)	581	(20.4%)
Adjusted Profit before Tax	462	1,059	(56.4%)	581	(20.4%)
Less: Total Tax	119	301	(60.5%)	184	(35.5%)
Profit After Tax	343	758	(54.7%)	396	(13.4%)
Other comprehensive Income	0	0		0	
Minority Interest	0	0		0	
Adjusted Profit After Tax	343	758	(54.7%)	396	(13.4%)
Diluted EPS (Rs.)	2.1	4.7	(54.7%)	2.5	(13.4%)
Adjusted Diluted EPS	2.1	4.7	(54.7%)	2.5	(13.4%)
Diluted No of Share (mn)	161.4	161.4		161.4	
Margin Analysis %			Change in bps		Change in bps
EBIDTA Margin %	22.9%	26.1%	(319)	25.0%	(216)
EBIT Margin %	10.0%	15.2%	(520)	13.8%	(383)
NPM %	6.6%	11.7%	(509)	8.2%	(165)
Effective Tax Rate %	25.7%	28.4%	(270)	31.7%	(599)

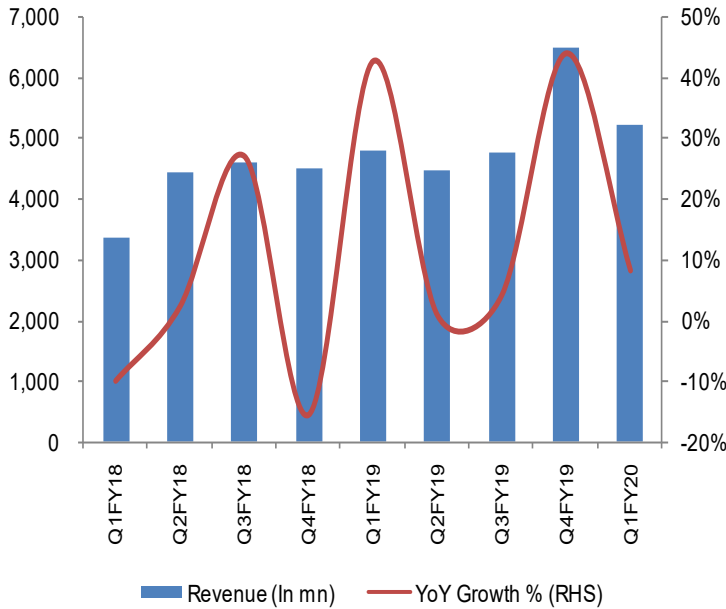
Source: Company, BP Equities Research

Revenue came below our estimates due to flat growth in Carbogen Amcis

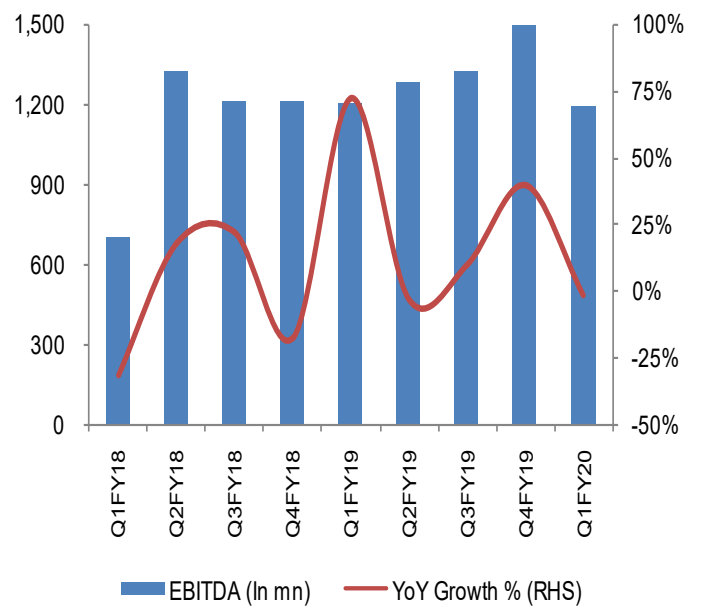
Adj. PAT came below our estimate led by operationally weak performance and Higher depreciation due to IndAS 116 adoption

EBITDA margins adversely impacted by change in product mix, higher employee cost due to additional scientists at the new Swiss building.

Revenue grew by 8.2% (YoY)

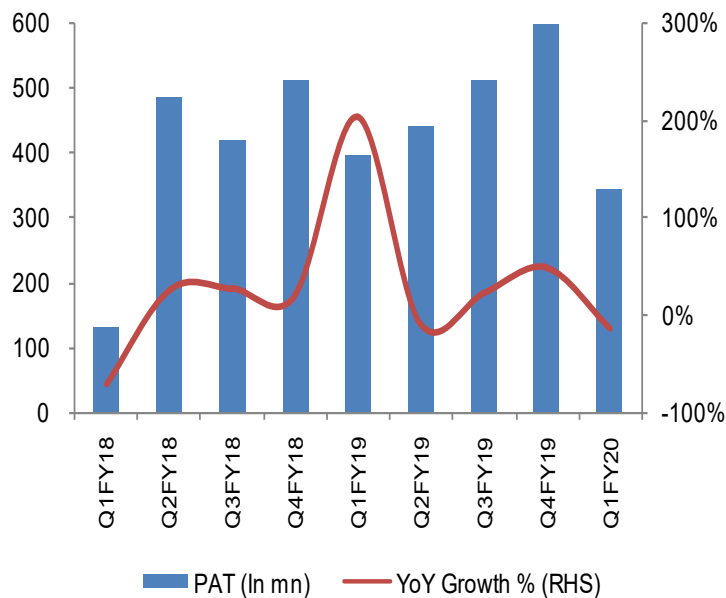


EBITDA growth was flat to negative by 1.1% (YoY)

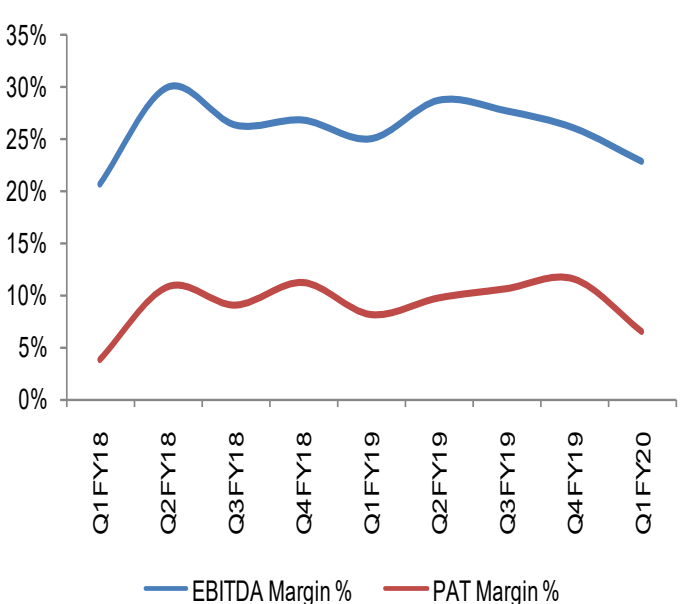


Source: Company, BP Equities Research

PAT growth declined by 13.4% (YoY)



EBITDA and PAT margin trend



Source: Company, BP Equities Research



Revenue by Segment (In mn)

	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20
CRAMS – India	327	651	433	876	598	738	765	1305	767
YoY Growth %	-22%	-15%	-21%	146%	83%	13%	77%	49.0%	28.3%
CRAMS – Carbogen Amcis	2061	2602	2683	2385	2644	2253	2368	3131	2632
YoY Growth %	2%	9%	52%	-22%	28%	-13%	-12%	31%	0%
CRAMS – UK	80	114	187	115	132	284	207	283	375
YoY Growth %	-41%	26%	19%	2%	65%	150%	10%	146%	184%
Carbogen Amcis BV**	474	501	494	494	669	559	671	818	726
YoY Growth %	-24%	-18%	-18%	-13%	41%	12%	36%	65.7%	8.6%
Others	443	442	512	655	445	491	263	577	512
YoY Growth %	-3%	5%	4%	-16%	0%	11%	-49%	-12%	15%
Total	3,385	4,308	4,309	4,525	4,488	4,325	4,274	6,114	5,013

Source: Company, BP Equities Research, ** Carbogen Amcis BV is Dishman Netherlands

Revenue Mix (%)

	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20
CRAMS – India	10%	15%	10%	19%	13%	17%	18%	21%	15%
CRAMS – Carbogen Amcis	61%	60%	62%	53%	59%	52%	55%	51%	52%
CRAMS – UK	2%	3%	4%	3%	3%	7%	5%	5%	7%
Carbogen Amcis BV**	14%	12%	11%	11%	15%	13%	16%	13%	14%
Others	13%	10%	12%	14%	10%	11%	6%	9%	10%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Company, BP Equities Research, ** Carbogen Amcis BV is Dishman Netherlands



Profit & Loss A/c (Consolidated)						
YE March (Rs. mn)	FY16	FY17	FY18	FY19E	FY20E	FY21E
Revenue	15,961	17,137	16,948	20,586	22,592	26,145
Growth %	0.5%	7.4%	-1.1%	21.5%	9.7%	15.7%
Total Operating Revenue	15,961	17,137	16,948	20,586	22,592	26,145
Growth %	0.5%	7.4%	-1.1%	21.5%	9.7%	15.7%
Less:						
Raw Material Consumed	3,363	3,293	3,369	4,038	4,254	4,775
Employee Cost	5,355	5,960	6,254	7,146	7,686	8,717
Other Expenses	3,139	3,350	2,944	3,883	4,261	4,931
Total Operating Expenditure	11,857	12,603	12,568	15,067	16,201	18,423
EBIDTA	4,103	4,534	4,380	5,519	6,391	7,721
Growth %	31.2%	10.5%	-3.4%	26.0%	15.8%	20.8%
Less: Depreciation	1,091	2,135	2,114	2,404	2,473	2,543
EBIT	3,013	2,399	2,266	3,115	3,918	5,179
Growth %	86.0%	-20.4%	-5.5%	37.5%	25.8%	32.2%
Interest Paid	944	490	488	566	517	469
Non-operating Income	265	261	530	538	591	684
Profit Before tax	2,334	2,170	2,308	3,088	3,991	5,393
Tax	624	707	762	985	1,317	1,780
Net Profit before Minority	1,710	1,463	1,546	2,103	2,674	3,613
Minority Interest	0	0	0	0	0	0
Net Profit	1,711	1,472	1,546	2,103	2,674	3,613
Adjusted Profit	1,711	1,472	1,546	2,103	2,674	3,613
Reported Diluted EPS Rs	10.6	9.1	9.6	13.0	16.6	22.4
Growth %	42.8%	-14.0%	5.0%	36.1%	27.1%	35.1%
Adjusted Diluted EPS Rs	10.6	9.1	9.6	13.0	16.6	22.4
Growth %	42.8%	-14.0%	5.0%	36.1%	27.1%	35.1%

Source: Company, BP Equities Research

Cash Flows (Consolidated)						
YE March (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E	FY21E
PAT	1,711.1	1,472.1	1,545.7	2,103.3	2,673.9	3,613.3
Less: Non Operating Income	(265.4)	(261.3)	(530.2)	(538.2)	(590.6)	(683.5)
Add: Depreciation	1,090.6	2,135.0	2,114.2	2,403.8	2,473.2	2,542.6
Add: Interest Paid	944.4	490.1	488.3	565.5	517.4	469.4
Operating Profit before Working Capital Changes	3,480.7	3,835.9	3,618.0	4,534.4	5,073.9	5,941.8
(Inc)/Dec in Current Assets	(274.1)	(2,626.0)	(1,734.4)	832.3	(654.6)	(1,501.8)
Inc/(Dec) in Current Liabilities	(1,686.5)	793.9	1,757.0	(1,061.9)	185.6	1,053.6
Changes in Inventory	(348.5)	565.3	(579.8)	(640.6)	(534.6)	(946.8)
Net Cash Generated From Operations	1,171.6	2,569.1	3,060.8	3,664.2	4,070.3	4,546.9
Cash Flow from Investing Activities						
(Inc)/Dec in Fixed Assets	(2,368.4)	(36,958.7)	(4,341.3)	(3,039.7)	(2,000.0)	(2,000.0)
(Inc)/Dec in Capital Work In Progress	564.1	(361.3)	25.3	(243.3)	0.0	0.0
(Inc)/Dec in Investment (Strategic)	0.0	(113.5)	(203.6)	317.1	0.0	0.0
(Inc)/Dec in Investment (Others)	(355.7)	64.2	(879.9)	(418.5)	(337.9)	(598.3)
Add: Non Operating Income	265.4	261.3	530.2	538.2	590.6	683.5
Net Cash Flow from/(used in) Investing Activities	(1,895.5)	(37,300.1)	(5,492.8)	(3,306.4)	(1,747.2)	(1,914.8)
Cash Flow from Financing Activities						
Inc/(Dec) in Total Loans	1,260.5	1,523.9	1,256.6	(140.5)	(508.0)	(321.5)
Inc/(Dec) in Reserves & Surplus	805.9	32,180.1	1,387.8	646.6	0.0	0.0
Inc/(Dec) in Equity	0.0	161.4	0.0	0.0	0.0	0.0
Dividend Paid	(322.7)	(193.7)	0.0	(32.3)	(161.4)	(161.4)
Less: Interest Paid	(944.4)	(490.1)	(488.3)	(565.5)	(517.4)	(469.4)
Adjustments	236.9	1,801.3	92.6	(0.0)	0.0	(0.0)
Net Cash Flow from Financing Activities	983.9	34,982.9	2,248.7	(91.7)	(1,186.9)	(952.3)
Net Inc/Dec in cash equivalents	260.0	251.9	(183.3)	266.1	1,136.2	1,679.8
Opening Balance	362.0	622.0	873.9	690.6	956.7	2,092.9
Closing Balance Cash and Cash Equivalents	622.0	873.9	690.6	956.7	2,092.9	3,772.7

Source: Company, BP Equities Research



Balance Sheet (Consolidated)						
YE March(Rs. mn)	FY16	FY17	FY18	FY19E	FY20E	FY21E
Liabilities						
Equity Capital	161	323	323	323	323	323
Share application money pending allotment	0	0	0	0	0	0
Reserves & Surplus	14,359	47,817	50,751	53,468	55,981	59,432
Equity	14,520	48,140	51,073	53,791	56,303	59,755
Preference Share Capital	0	0	0	0	0	0
Net Worth	14,520	48,140	51,073	53,791	56,303	59,755
Minority Interest						
Others	1,579	3,065	3,590	3,807	4,049	4,478
Total Loans	8,413	8,451	9,183	8,825	8,075	7,325
Capital Employed	24,512	59,656	63,846	66,423	68,428	71,558
Assets						
Gross Block	24,912	61,871	66,212	69,252	71,252	73,252
Less: Depreciation	9,462	13,398	15,605	18,009	20,482	23,025
Net Block	15,450	48,473	50,607	51,243	50,770	50,227
Capital WIP	854	1,215	1,190	1,433	1,433	1,433
Long Term Loans & Advances	2,233	2,169	3,049	3,467	3,805	4,403
Intangible assets under development	0	114	317	0	0	0
Non Current Investments	250	443	1,066	1,526	1,526	1,526
Current Assets						
Inventories	4,831	4,266	4,846	5,486	6,021	6,968
Sundry Debtors	1,523	2,856	4,444	4,453	4,887	5,655
Cash and Bank Balance	622	874	691	957	2,093	3,773
Loans and Advances	3,057	3,612	3,354	3,284	3,392	3,925
Other Current Assets	984	1,723	1,183	1,159	1,272	1,471
Total Current Assets	11,018	13,331	15,461	15,536	17,861	21,990
Less: Current Liabilities & Provisions						
Sundry Creditors	870	856	1,859	1,946	2,092	2,379
Provisions	799	659	826	193	3,604	4,171
Other Current Liabilities	3,625	4,572	5,159	4,643	1,272	1,471
Total Current Liabilities & Provisions	5,293	6,087	7,844	6,782	6,968	8,021
Capital Applied	24,512	59,656	63,846	66,423	68,428	71,558

Source: Company, BP Equities Research

Key Ratios (Consolidated)						
YE March (Rs. mn)	FY16	FY17	FY18	FY19E	FY20E	FY21E
Key Operating Ratios						
EBITDA Margin (%)	25.7%	26.5%	25.8%	26.8%	28.3%	29.5%
Tax / PBT (%)	26.7%	32.6%	33.0%	31.9%	33.0%	33.0%
Net Profit Margin (%)	10.7%	8.6%	9.1%	10.2%	11.8%	13.8%
RoE (%)	12.7%	4.7%	3.1%	4.0%	4.9%	6.2%
RoCE (%)	14.7%	6.1%	3.9%	5.2%	6.3%	8.1%
Current Ratio (x)	2.1x	2.2x	2.0x	2.3x	2.6x	2.7x
Dividend Payout (%)	21.9%	13.2%	0.0%	1.5%	6.0%	4.5%
Book Value Per Share (Rs.)	90.0	298.3	316.4	333.3	348.8	370.2
Financial Leverage Ratios						
Net Debt/ Equity (x)	0.5	0.2	0.2	0.1	0.1	0.1
Interest Coverage (x)	4.3x	9.3x	9.0x	9.8x	12.4x	16.5x
Interest / Debt (%)	12.0%	5.8%	5.5%	6.3%	6.1%	6.1%
Growth Indicators %						
Growth in Gross Block (%)	10.5%	148.4%	7.0%	4.6%	2.9%	2.8%
Sales Growth (%)	0.5%	7.4%	(1.1%)	21.5%	9.7%	15.7%
EBITDA Growth (%)	31.2%	10.5%	(3.4%)	26.0%	15.8%	20.8%
Net Profit Growth (%)	42.8%	(14.0%)	5.0%	36.1%	27.1%	35.1%
Diluted EPS Growth (%)	42.8%	(14.0%)	5.0%	36.1%	27.1%	35.1%
Turnover Ratios						
Debtors Days	35	61	96	79	79	79
Creditors Days	27	25	54	47	47	47
Inventory Days	110	91	104	97	97	97

Source: Company, BP Equities Research

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