

Disappointment continues, Cloudy outlook for revenue; Maintain buy

DCAL Q4FY20 revenue came 22.8% below our estimate at INR 5,121mn (est. INR 6,637mn) decline by 21.2% YoY due to tapered growth in CRAMS business (-18.3% YoY), lower other operating income (INR 93mn vs INR 383mn in Q4FY19) and postponement of commercial supply (USD ~5mn) to Q1FY21. CRAMS India revenues de-grew by ~30% YoY and accounted for 18% of the revenue. Carbogen Amcis BV revenues declined by 11% YoY. EBITDA margins contracted from 26.1% to 25.8% (est.25.7%) on a YoY basis due to stable employee cost in falling revenues. PAT de-grew by 5% YoY to INR720mn, below our estimate of INR838mn due to higher finance cost. On a sequential basis, PAT grew by 119% aided by a negative tax rate (-20.3% vs 35.2%). For FY21, the overall tax rate will be at ~25% from 30-32% in previous years, mainly due to tax rate reduction in Switzerland (~55% of revenue). Management avoided providing any revenue growth guidance for FY21. On tax rate of India business, management has not taken any call yet on the adoption of the new tax regime of 25% tax rate. Net debt as on March 31, 2020, was USD100mn vs USD120mn as on Mar 31, 2019. Before lockdown, Bavla facility was operating at 65-70% utilization level and management also in a process to transfer a few more APIs to this facility for Carbogen Amcis subsidiaries, which expected to enhance utilization level and profitability going forward.

Valuation & Outlook

We expect a sluggish revenue and earnings growth over the next couple of years (CAGR of 4.7%/10.8% FY20-22E respectively) mainly due to uncertainty amid Covid situation and absence of Niraparib sales for next two years. However, regulatory approval for four NCEs to DCAL's customers in the last 12 months provides the possibility of upside revision in revenue growth going forward. With the introduction of FY22 estimates, we revise our target price to INR113 (earlier INR 141) by assigning 8x P/E on FY22e earnings and maintain our BUY rating on the stock.

Key Financials (Consolidated)					
YE March (Inr. mn)	FY18	FY19	FY20	FY21E	FY22E
Revenue	16,948	20,586	20,436	21,484	22,400
Growth %	-1%	21%	-1%	5%	4%
EBIDTA	4,380	5,519	5,224	5,595	5,921
Growth%	-3%	26%	-5%	7%	6%
Net Profit	1,546	2,103	1,803	1,937	2,215
Growth %	5%	36%	-14%	7%	14%
Diluted EPS	10	13	11	12	14
Growth %	5%	36%	-14%	7%	14%
Profitability & Valuation					
EBIDTA (%)	25.8%	26.8%	25.6%	26.0%	26.4%
NPM (%)	9.1%	10.2%	8.8%	9.0%	9.9%
RoE (%)	3.1%	4.0%	3.2%	3.3%	3.7%
RoCE (%)	3.9%	5.2%	3.8%	4.1%	4.5%
P/E (x)	9.0	6.6	7.7	7.2	6.3
EV/EBITDA (x)	5.1	3.9	4.1	3.8	3.2
P/BV (x)	0.3	0.3	0.2	0.2	0.2

Source: Company, BP Equities Research

Stock Rating

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

Sector Outlook

Positive

Stock

CMP (INR)	86
Target Price (INR)	113
BSE code	540701
NSE Symbol	DCAL
Bloomberg	DCAL IN
Reuters	DSHM.BO

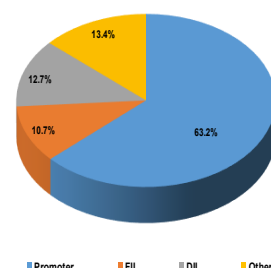
Key Data

Nifty	10,168
52WeekH/L(INR)	257/46
O/s Shares (Mn)	157
Market Cap (INR bn)	13
Face Value (INR)	2

Average volume

3 months	3,05,572
6 months	9,12,529
1 year	5,79,128

Share Holding Pattern (%)



Relative Price Chart



Research Analyst

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Result Update Q4FY20

Dishman Carbogen Amcis Ltd Q4FY20 Quarterly Result

YE March (Rs. mn)	Q4 FY20	Q3 FY20	Q-o-Q change %	Q4 FY19	Y-o-Y change %
Net Sales	5,028	5,194	(3.2%)	6,114	(17.8%)
Other Operating Income	93	229		383	
Total Revenue	5,121	5,423	(5.6%)	6,497	(21.2%)
Less:					
Raw Material Cost	1,113	1,296	(14.1%)	1,525	(27.0%)
Operating & Manufacturing Expenses	678	947	(28.4%)	1,234	(45.0%)
Employee Cost	2,011	1,926	4.4%	2,045	(1.6%)
Loss on Foreign Exchange Loan	0	0	0.0%	0	0.0%
Total Expenditure	3,802	4,169	(8.8%)	4,803	(20.8%)
EBIDTA	1,319	1,254	5.2%	1,694	(22.1%)
Less: Depreciation	735	721	2.0%	707	4.1%
EBIT	584	533	9.6%	987	(40.9%)
Less: Interest	197.4	114.4	72.6%	126.5	56.0%
Add: Other income	212	88		198	7.0%
Profit before tax	598	507	18.0%	1,059	(43.5%)
Adjusted Profit before Tax	598	507	18.0%	1,059	(43.5%)
Less: Total Tax	-122	178	(168.3%)	301	(140.4%)
Profit After Tax	720	329	119.1%	758	(5.0%)
Other comprehensive Income	0	0		0	
Minority Interest	0	0		0	
Adjusted Profit After Tax	720	329	119.1%	758	(5.0%)
Diluted EPS (Rs.)	4.6	2.1	119.1%	4.8	(5.0%)
Adjusted Diluted EPS	4.6	2.1	119.1%	4.8	(5.0%)
Diluted No of Share (mn)	157	157		157	
Margin Analysis %			Change in bps		Change in bps
EBIDTA Margin %	25.8%	23.1%	264	26.1%	-32
EBIT Margin %	11.4%	9.8%	157	15.2%	-380
NPM %	14.1%	6.1%	800	11.7%	239
Effective Tax Rate %	-20.3%	35.2%	-5,553	28.4%	-4,878

Revenue came below our estimates due to sharp decline in CRAMS revenue (-18% YoY) and lower other operating income

Adj. PAT came below our estimate led by higher finance cost and operationally weak performance

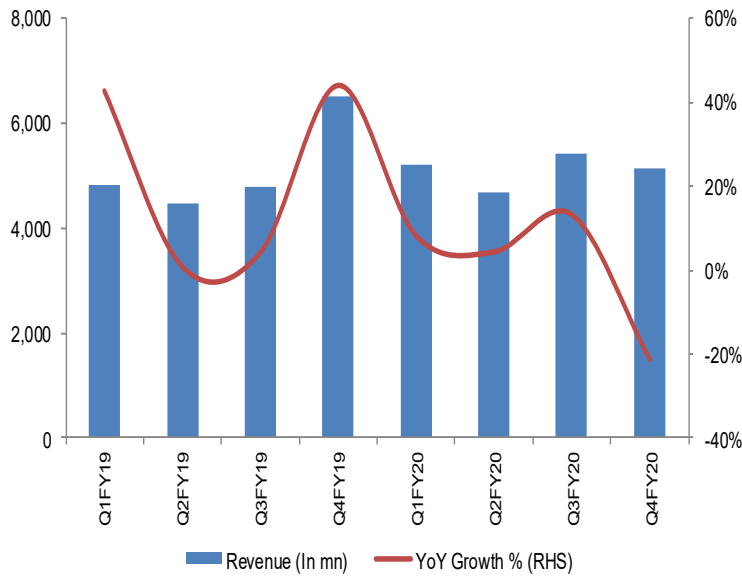
EBITDA margins impacted by stable employee cost in falling revenue

Source: Company, BP Equities Research

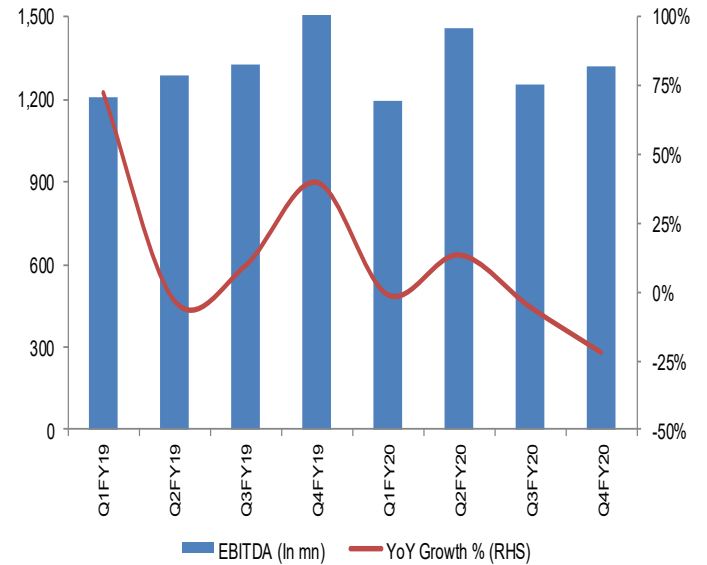
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Revenue de-grew by 21.2% (YoY)

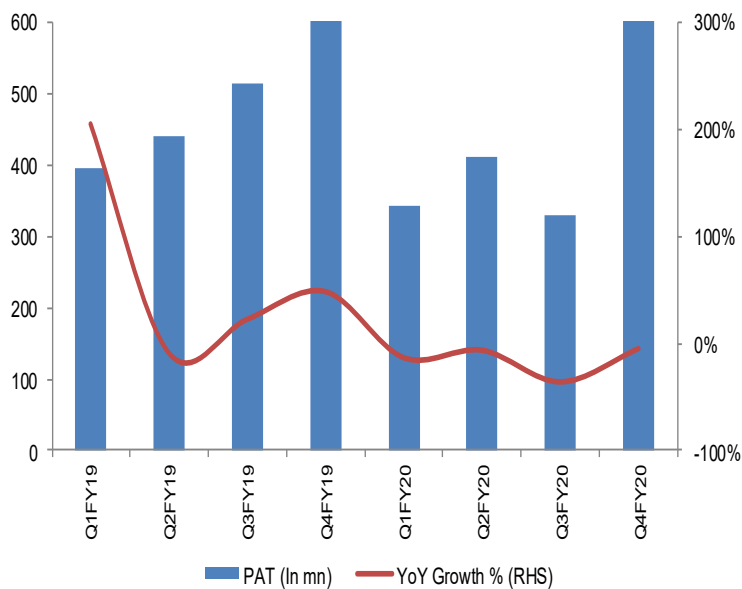


EBITDA impacted by weak operational performance

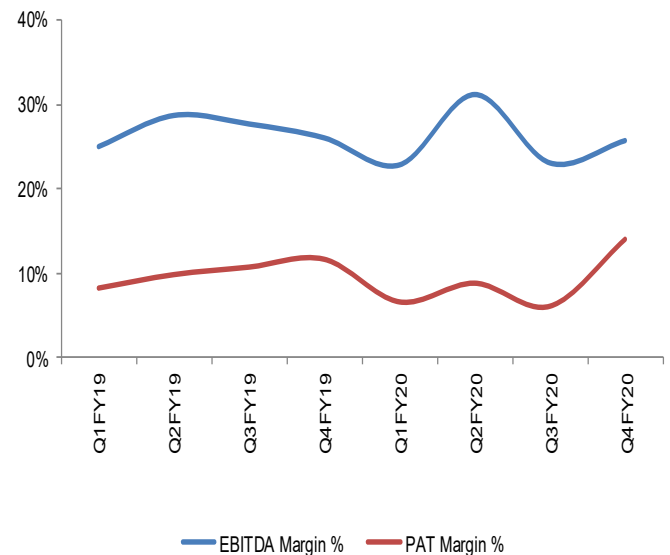


Source: Company, BP Equities Research

PAT growth declined by 5% (YoY)



EBITDA and PAT margin trend



Source: Company, BP Equities Research

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Result Update Q4FY20

Revenue by Segment (In mn)

	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
CRAMS – India	598	738	765	1305	767	1126	514	917
YoY Growth %	83%	13%	77%	49%	28%	53%	-33%	-29.8%
CRAMS – Carbogen Amcis	2644	2253	2368	3131	2632	2087	3314	2783
YoY Growth %	28%	-13%	-12%	31%	0%	-7%	39.9%	-11.1%
CRAMS – UK	132	284	207	283	375	240	197	152
YoY Growth %	65%	150%	10%	146%	184%	-15%	-5%	-46%
Carbogen Amcis BV**	669	559	671	818	726	546	577	650
YoY Growth %	41%	12%	36%	66%	9%	-2%	-14%	-21%
Others	445	491	263	577	512	499	593	526
YoY Growth %	0%	11%	-49%	-12%	15%	2%	126%	-9%
Total	4,488	4,325	4,274	6,114	5,013	4,498	5,194	5,028

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

Revenue Mix (%)

	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
CRAMS – India	13%	17%	18%	21%	15%	25%	10%	18%
CRAMS – Carbogen Amcis	59%	52%	55%	51%	52%	46%	64%	55%
CRAMS – UK	3%	7%	5%	5%	7%	5%	4%	3%
Carbogen Amcis BV**	15%	13%	16%	13%	14%	12%	11%	13%
Others	10%	11%	6%	9%	10%	11%	11%	10%
Total	100%	100%	100%	100%	100%	100%	100%	100%

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



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Result Update Q4FY20

Profit & Loss A/c (Consolidated)						
YE March (Rs. mn)	FY17	FY18	FY19	FY20	FY21E	FY22E
Revenue	17,137	16,948	20,586	20,436	21,484	22,400
Growth %	7.4%	-1.1%	21.5%	-0.7%	5.1%	4.3%
Total Operating Revenue	17,137	16,948	20,586	20,436	21,484	22,400
Growth %	7.4%	-1.1%	21.5%	-0.7%	5.1%	4.3%
Less:						
Raw Material Consumed	3,293	3,369	4,038	4,338	4,538	4,727
Employee Cost	5,960	6,254	7,146	7,623	7,933	8,189
Other Expenses	3,350	2,944	3,883	3,251	3,417	3,563
Total Operating Expenditure	12,603	12,568	15,067	15,212	15,889	16,479
EBIDTA	4,534	4,380	5,519	5,224	5,595	5,921
Growth %	10.5%	-3.4%	26.0%	-5.3%	7.1%	5.8%
Less: Depreciation	2,135	2,114	2,404	2,829	2,866	2,941
EBIT	2,399	2,266	3,115	2,396	2,729	2,980
Growth %	-20.4%	-5.5%	37.5%	-23.1%	13.9%	9.2%
Interest Paid	490	488	566	620	620	520
Non-operating Income	261	530	538	445	473	493
Profit Before tax	2,170	2,308	3,088	2,221	2,582	2,954
Tax	707	762	985	418	646	738
Net Profit before Minority	1,463	1,546	2,103	1,803	1,937	2,215
Minority Interest	0	0	0	0	0	0
Net Profit	1,472	1,546	2,103	1,803	1,937	2,215
Adjusted Profit	1,472	1,546	2,103	1,803	1,937	2,215
Reported Diluted EPS Rs	9.4	9.9	13.4	11.5	12.3	14.1
Growth %	-14.0%	5.0%	36.1%	-14.3%	7.4%	14.4%
Adjusted Diluted EPS Rs	9.4	9.9	13.4	11.5	12.3	14.1
Growth %	-14.0%	5.0%	36.1%	-14.3%	7.4%	14.4%

Source: Company, BP Equities Research

Cash Flows (Consolidated)						
YE March (Rs. Mn)	FY17	FY18	FY19	FY20	FY21E	FY22E
PAT	1,472.1	1,545.7	2,103.3	1,803.0	1,936.5	2,215.2
Less: Non Operating Income	(261.3)	(530.2)	(538.2)	(444.6)	(472.6)	(492.8)
Add: Depreciation	2,135.0	2,114.2	2,403.8	2,828.7	2,866.0	2,940.7
Add: Interest Paid	490.1	488.3	565.5	619.5	619.5	519.5
Operating Profit before Working Capital Changes	3,835.9	3,618.0	4,534.4	4,806.6	4,949.4	5,182.7
(Inc)/Dec in Current Assets	(2,626.0)	(1,734.4)	832.3	(1,278.4)	(3,887.4)	(562.8)
Inc/(Dec) in Current Liabilities	793.9	1,757.0	(1,061.9)	2,024.9	567.4	135.7
Changes in Inventory	565.3	(579.8)	(640.6)	(582.5)	415.1	(241.2)
Net Cash Generated From Operations	2,569.1	3,060.8	3,664.2	4,970.6	2,044.5	4,514.3
Cash Flow from Investing Activities						
(Inc)/Dec in Fixed Assets	(36,958.7)	(4,341.3)	(3,039.7)	(6,526.4)	(1,000.0)	(2,000.0)
(Inc)/Dec in Capital Work In Progress	(361.3)	25.3	(243.3)	(590.1)	0.0	0.0
(Inc)/Dec in Investment (Strategic)	(113.5)	(203.6)	317.1	(318.3)	0.0	0.0
(Inc)/Dec in Investment (Others)	64.2	(879.9)	(418.5)	(2,584.8)	(310.3)	(271.4)
Add: Non Operating Income	261.3	530.2	538.2	444.6	472.6	492.8
Net Cash Flow from/(used in) Investing Activities	(37,300.1)	(5,492.8)	(3,306.4)	(8,889.0)	(837.7)	(1,778.6)
Cash Flow from Financing Activities						
Inc/(Dec) in Total Loans	1,523.9	1,256.6	(140.5)	3,408.1	(349.4)	(1,389.4)
Inc/(Dec) in Reserves & Surplus	32,180.1	1,387.8	646.6	1,791.9	0.0	0.0
Inc/(Dec) in Equity	161.4	0.0	0.0	(9.0)	0.0	0.0
Dividend Paid	(193.7)	0.0	(32.3)	0.0	(161.4)	0.0
Less: Interest Paid	(490.1)	(488.3)	(565.5)	(619.5)	(619.5)	(519.5)
Adjustments	1,801.3	92.6	(0.0)	0.0	(0.0)	0.0
Net Cash Flow from Financing Activities	34,982.9	2,248.7	(91.7)	4,571.5	(1,130.3)	(1,909.0)
Net Inc/Dec in cash equivalents	251.9	(183.3)	266.1	653.1	76.5	826.7
Opening Balance	622.0	873.9	690.6	956.7	1,609.8	1,686.3
Closing Balance Cash and Cash Equivalents	873.9	690.6	956.7	1,609.8	1,686.3	2,513.0

Source: Company, BP Equities Research



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Result Update Q4FY20

Balance Sheet (Consolidated)						
YE March(Rs. mn)	FY17	FY18	FY19	FY20	FY21E	FY22E
Liabilities						
Equity Capital	323	323	323	314	314	314
Share application money pending allotment	0	0	0	0	0	0
Reserves & Surplus	47,817	50,751	53,468	57,063	58,838	61,053
Equity	48,140	51,073	53,791	57,377	59,152	61,367
Preference Share Capital	0	0	0	0	0	0
Net Worth	48,140	51,073	53,791	57,377	59,152	61,367
Minority Interest						
Others	3,065	3,590	3,807	6,745	6,396	6,506
Total Loans	8,451	9,183	8,825	9,295	9,295	7,795
Capital Employed	59,656	63,846	66,423	73,417	74,843	75,669
Assets						
Gross Block	61,871	66,212	69,252	75,778	76,778	78,778
Less: Depreciation	13,398	15,605	18,009	20,838	23,704	26,644
Net Block	48,473	50,607	51,243	54,941	53,075	52,134
Capital WIP	1,215	1,190	1,433	2,023	2,023	2,023
Long Term Loans & Advances	2,169	3,049	3,467	6,052	6,362	6,634
Intangible assets under development	114	317	0	318	318	318
Non Current Investments	443	1,066	1,526	840	840	840
Current Assets						
Inventories	4,266	4,846	5,486	6,069	5,654	5,895
Sundry Debtors	2,856	4,444	4,453	5,774	6,071	6,329
Cash and Bank Balance	874	691	957	1,610	1,686	2,513
Loans and Advances	3,612	3,354	3,284	572	4,011	4,183
Other Current Assets	1,723	1,183	1,159	2,959	3,111	3,243
Total Current Assets	13,331	15,461	15,536	18,050	21,599	23,229
Less: Current Liabilities & Provisions						
Sundry Creditors	856	1,859	1,946	2,835	2,961	3,071
Provisions	659	826	193	160	601	627
Other Current Liabilities	4,572	5,159	4,643	5,812	5,812	5,812
Total Current Liabilities & Provisions	6,087	7,844	6,782	8,807	9,375	9,510
Capital Applied	59,656	63,846	66,423	73,417	74,843	75,669

Source: Company, BP Equities Research

Key Ratios (Consolidated)						
YE March (Rs. mn)	FY17	FY18	FY19	FY20	FY21E	FY22E
Key Operating Ratios						
EBITDA Margin (%)	26.5%	25.8%	26.8%	25.6%	26.0%	26.4%
Tax / PBT (%)	32.6%	33.0%	31.9%	18.8%	25.0%	25.0%
Net Profit Margin (%)	8.6%	9.1%	10.2%	8.8%	9.0%	9.9%
RoE (%)	4.7%	3.1%	4.0%	3.2%	3.3%	3.7%
RoCE (%)	6.1%	3.9%	5.2%	3.8%	4.1%	4.5%
Current Ratio (x)	2.2x	2.0x	2.3x	2.0x	2.3x	2.4x
Dividend Payout (%)	13.2%	0.0%	1.5%	0.0%	8.3%	0.0%
Book Value Per Share (Rs.)	298.3	316.4	333.3	355.5	366.5	380.2
Financial Leverage Ratios						
Net Debt/ Equity (x)	0.2	0.2	0.1	0.1	0.1	0.1
Interest Coverage (x)	9.3x	9.0x	9.8x	8.4x	9.0x	11.4x
Interest / Debt (%)	5.8%	5.5%	6.3%	6.8%	6.7%	6.1%
Growth Indicators %						
Growth in Gross Block (%)	148.4%	7.0%	4.6%	9.4%	1.3%	2.6%
Sales Growth (%)	7.4%	(1.1%)	21.5%	(0.7%)	5.1%	4.3%
EBITDA Growth (%)	10.5%	(3.4%)	26.0%	(5.3%)	7.1%	5.8%
Net Profit Growth (%)	(14.0%)	5.0%	36.1%	(14.3%)	7.4%	14.4%
Diluted EPS Growth (%)	(14.0%)	5.0%	36.1%	(14.3%)	7.4%	14.4%
Turnover Ratios						
Debtors Days	61	96	79	103	103	103
Creditors Days	25	54	47	68	68	68
Inventory Days	91	104	97	108	96	96

Source: Company, BP Equities Research



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