

Dishman Pharmaceuticals

India CRAMS to benefit from wider customer base

Dishman has consciously changed strategy and widened its customer base for India CRAMS business which would account for ~23% of consolidated FY15E revenues. For instance, top 10 customers contribute 40% to revenues from 60-70% earlier due to new customer additions even as churn level remain low due to high switching costs in APIs. India order book stands at Rs2.8bn to be executed over the next five months and beyond that repeat orders and steady stream of new customers give us comfort on growth.

Another key driver of India CRAMS would be HIPO facility for oncology at Bavla, India where it currently has order book of US\$25mn to be executed by August 2015; intermediaries for orders would be manufactured at its China facility (to derisk manufacturing at only one location) and final APIs to be exported from India. Current HIPO order book translates into 30-35% utilization rate and company plans to ramp up to US\$200mn in next 12 months; HIPO facility APIs commands a lucrative 80% gross margin.

Carbogen Amcis outlook remains robust

Carbogen Amcis, Dishman's Switzerland based CRAMS business (~46% of FY15E revenues) saw EBIDTA margin decline in Q3 FY15 as the dispatch cycle got delayed due to seasonality in late December and customer preferences. Hence low margin development work related revenues were higher as compared to higher margin commercial sales. However, we expect the situation to normalize with recognition of high margin revenues in Q4. Carbogen has current order book of CHF110mn to be executed over next 1 year which augurs well for next year's growth.

Margin expansion, interest savings to drive ~29% EPS cagr

About 70% of Dishman portfolio is geared towards higher end API supplies with vitamin D3 and bulk drugs accounting for balance 30%. In vitamin D3, focus would be on quality rather than volumes which would protect EBIDTA margin. We expect interest cost savings (due to ~Rs1.2bn in FY16 debt repayment) and margin expansion of ~150bps to drive earnings cagr of ~29% over FY15-17; recommend BUY.

Financial summary

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Revenues	13,853	14,674	15,905	17,396
yoy growth (%)	8.9	5.9	8.4	9.4
Operating profit	3,321	3,316	3,722	4,175
OPM (%)	24.0	22.6	23.4	24.0
Reported PAT	1,093	1,138	1,485	1,829
yoy growth (%)	9.0	4.2	30.5	23.1
EPS (Rs)	13.5	14.1	18.4	22.7
P/E (x)	12.1	11.6	8.9	7.2
P/BV (x)	1.1	1.0	0.9	0.8
EV/EBITDA (x)	6.5	6.3	5.2	4.2
Debt/Equity (x)	0.7	0.7	0.6	0.5
ROE (%)	9.9	9.2	11.0	12.2
ROCE (%)	12.1	11.3	12.6	13.7

Source: Company, India Infoline Research

Rating:	BUY
Target (1-3 months):	Rs190
CMP:	Rs164
Upside:	15.6%
Exit Trigger*:	Rs148

* Exit trigger is the price level below which investor should exit position

Sector:	Pharmaceuticals
Sector view:	Positive
Sensex:	28,659
52 Week h/l (Rs):	197/79
Market cap (Rscr) :	1,344
6m Avg vol ('000Nos):	561
Bloomberg code:	DISH IN
BSE code:	532526
NSE code:	DISHMAN
FV (Rs):	2

Prices as on March 11, 2015

Company rating grid

	Low → High				
	1	2	3	4	5
Earnings Growth				■	
Cash Flow				■	
B/S Strength				■	
Valuation appeal				■	
Risk	■				

Share price trend



Share holding pattern

%	Jun-14	Sep-14	Dec-14
Promoters	61.4	61.4	61.4
Insti	14.7	18.9	16.5
Others	23.9	19.7	22.1

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'Best Broker of the Year' – by Zee Business for contribution to broking

Nirmal Jain, Chairman, IIFL, received the award for The Best Broker of the Year (for contribution to broking in India) at India's Best Market Analyst Awards 2014 organised by the Zee Business in Mumbai. The award was presented by the guest of Honour Amit Shah, president of the Bharatiya Janata Party and Piyush Goel, Minister of state with independent charge for power, coal new and renewable energy.

'Best Equity Broker of the Year' – Bloomberg UTV, 2011

IIFL was awarded the 'Best Equity Broker of the Year' at the recently held Bloomberg UTV Financial Leadership Award, 2011. The award presented by the Hon'ble Finance Minister of India, Shri Pranab Mukherjee. The Bloomberg UTV Financial Leadership Awards acknowledge the extraordinary contribution of India's financial leaders and visionaries from January 2010 to January 2011.

'Best Broker in India' – Finance Asia, 2011

IIFL has been awarded the 'Best Broker in India' by Finance Asia. The award is the result of Finance Asia's annual quest for the best financial services firms across Asia, which culminated in the Country Awards 2011

Other awards



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