

Dishman Carbogen Amcis

15 August, 2021

Reuters: DSHM.NS; Bloomberg: DCAL IN

Strong growth in marketable molecules; CRAMS business flattish QoQ

Dishman's 1QFY22 revenue at Rs5,507mn was higher 16% YoY and 4% QoQ and in line with our estimate. Revenue was led by strong growth in Marketable molecules - Cholesterol and Vitamin D analog products. Sales of marketable molecules grew by 31% YoY, while CRAMS business was up 10% YoY. EBITDA margin at 18.3% was higher 160bps QoQ due to higher proportion of sales coming from Cholesterol and Vitamin D analog products (higher margin business). CRAMS:Marketable Molecules mix stood at 70:30 (4QFY21: 73:27). Cholesterol demand has increased in the recent past as it is used as an excipient in manufacturing RNA-based COVID vaccines (Pfizer and Moderna). As the demand for RNA-based COVID vaccines normalizes and additional capacities for Cholesterol (which have come up lately) start supplying, growth in Cholesterol demand should taper off.

India CRAMS business, which has been affected by EDQM's observations for the Bavla manufacturing unit, should see QoQ recovery. But, the same should normalize next year. We retain our 'Under Review' rating on DCAL, as we await normalization of the India CRAMS business. Remediation efforts are under way and it may take some more time before DCAL invites the European regulator for a re-inspection at Bavla. Resolution may not be a big challenge as DCAL has significant experience of managing multiple EU/USFDA approved facilities in Switzerland.

Earnings and conference call Highlights

- Bavla facility** - Six units out of the total 13 units are operational. Three units are expected to turn operational in the next 3-4 months. Operations at the Bavla site will significantly improve in 3QFY22/4QFY22, but will fully normalize next year (1QFY23/2QFY23)
- Capacity expansion** in France and Switzerland is in progress and will be executed by FY23. Capital expenditure for 1QFY22 was ~US\$12.18mn.
- DCAL has partnered with a university in Central Europe to create a disinfectant that can be more effective and lasts longer. Once successful, DCAL is planning to file a manufacturing IP.
- Employee costs continue to increase disproportionately:** Employee expenses increased by 9% QoQ due to an increase in Full-Time Equivalent (FTEs) hired for development projects in Switzerland. Employee expenses have been surging for the last few years. Over the last 4 years, revenue has increased @ 2.7% CAGR while employee expenses have grown at a CAGR of 10%. From 35% of sales in FY19, employee expenses currently stand at 43.4% of sales. Even assuming normalization in the India CRAMS business, employee expenses would have stood at 40% of sales.
- Net debt**, excluding lease liabilities, stood at US\$101mn as on June 30, 2021 (US\$ 101mn as on March 31, 2021).

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UNDER REVIEW

Sector: Pharmaceuticals

CMP: Rs206

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Key Data

Current Shares O/S (mn)	156.8
Mkt Cap (Rsbn/US\$mn)	32.3/610.1
52 Wk H / L (Rs)	235/103
Daily Vol. (3M NSE Avg.)	1,354,130

Price Performance (%)

	1 M	6 M	1 Yr
Dishman Carbogen	0.0	67.3	11.0
Nifty Index	3.8	7.9	47.9

Source: Bloomberg

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[Recent Presentation](#)

Y/E March (Rsmn) (consolidated)	Q1FY21	Q4FY21	Q1FY22	YoY(%)	QoQ (%)	FY20	FY21	YoY(%)
Net Sales	4,751	5,293	5,507	15.9	4.0	19,733	19,081	(3.3)
Other operating Income	(7)	0	0	NA	0.0	703	37	(94.8)
Revenue from Operations	4,744	5,293	5,507	16.1	4.0	20,436	19,120	(6.5)
Cost of Goods Sold	1,487	1,664	1,285	(13.6)	(22.8)	4,339	4,682	7.9
% of net sales	31.3	31.4	23.3	(798) bps	(811) bps	21.2	24.5	326 bps
Employee expenses	2,140	2,198	2,390	11.7	8.8	7,623	8,729	14.5
% of net sales	45.0	41.5	43.4	(165) bps	188 bps	37.3	45.7	836 bps
Other expenses	686	548	826	20.4	50.7	3,250	2,966	(8.7)
% of net sales	14.4	10.4	15.0	56 bps	464 bps	15.9	15.5	(39) bps
Total expenditure	4,314	4,410	4,501	4.3	2.1	15,212	16,377	7.7
EBITDA	431	884	1,007	133.8	13.9	5,224	2,744	(47.5)
EBITDA Margin	9.1	16.7	18.3	920 bps	159 bps	25.6	14.3	(1123) bps
Interest	116	91	124	7.1	36.4	620	476	(23.2)
Depreciation	737	768	747	1.4	(2.7)	2,829	3,079	8.9
Other income	86	60	104	20.8	75.0	445	385	(13.5)
PBT before Exceptional items	(336)	85	240	NA	182.7	2,221	(430)	NA
Exceptional Items	0	(223)	0	0.0	NA	0	(223)	NA
Profit before Tax	(336)	(138)	240	NA	NA	2,221	(653)	NA
Tax	(122)	1,212	79	NA	(93.5)	418	999	139.0
Effective tax rate (%)	36.2	(879.1)	32.9	(328) bps	NA	18.8	(153.0)	NA
Profit after Tax	(214)	(1,350)	161	NA	NA	1,803	(1,651)	NA
Profit Margin (%)	(4.5)	(25.5)	2.9	NA	NA	8.8	(8.6)	NA

Source: Company, Nirmal Bang Institutional Equities Research

Please refer to the disclaimer towards the end of the document.

Exhibit 1: Key financials

Y/E March (Rsmn)	FY17	FY18	FY19	FY20	FY21
Net sales	17,137	16,948	20,586	20,436	19,120
EBITDA	4,534	4,454	5,519	5,224	2,744
Adjusted EBIT	3,560	3,696	4,553	3,740	949
Net profit	1,455	1,546	2,103	1,803	(1,651)
Adjusted Net Profit	2,085	2,176	2,733	2,433	(1,429)
EPS (Rs)	9.0	9.6	13.0	11.2	(10.2)
EPS growth (%)	41.6	6.3	36.0	(14.3)	NA
Adjusted EPS (Rs)	12.8	13.4	16.9	15.0	(6.4)
Adjusted EPS growth (%)	101.9	4.4	25.7	(11.0)	NA
EBITDA margin (%)	26.5	26.3	26.8	25.6	14.3
PER (x)	22.9	21.5	15.8	18.4	NA
P/BV (x)	0.7	0.7	0.6	0.6	0.6
EV/EBITDA (x)	9.0	9.2	7.4	7.6	14.4
RoCE (%)	4.1	4.6	5.8	4.3	0.1
Adjusted ROCE (%)	16.6	15.2	17.0	13.1	3.0
RoE (%)	3.0	3.0	3.9	3.1	(2.9)

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Revenue Summary*

Revenue Break up (INR Mn)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
CRAMs	3,774	3,453	4,024	3,852	3,489	3,533	3,433	3,868	3,853
India	767	1,126	514	917	148	59	200	227	324
Carbogen AMCIS	2,632	2,087	3,314	2,783	3,090	3,197	2,992	3,425	3,206
UK	375	240	197	152	252	276	241	217	323
Marketable Molecules	1,239	1,045	1,170	1,176	1,262	871	1,199	1,424	1,655
Vitamin D /Cholesterol	726	546	577	650	729	522	644	727	1,175
Others	512	499	593	526	533	350	555	697	480
Total	5,013	4,498	5,194	5,028	4,751	4,404	4,632	5,292	5,507
Revenue Mix (%)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
CRAMs	75.3	76.8	77.5	76.6	73.4	80.2	74.1	73.1	70.0
India	15.3	25.0	9.9	18.2	3.1	1.3	4.3	4.3	5.9
Carbogen AMCIS	52.5	46.4	63.8	55.4	65.0	72.6	64.6	64.7	58.2
UK	7.5	5.3	3.8	3.0	5.3	6.3	5.2	4.1	5.9
Marketable Molecules	24.7	23.2	22.5	23.4	26.6	19.8	25.9	26.9	30.0
Vitamin D /Cholesterol	14.5	12.1	11.1	12.9	15.3	11.8	13.9	13.7	21.3
Others	10.2	11.1	11.4	10.5	11.2	7.9	12.0	13.2	8.7
QoQ Growth (%)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
CRAMs	(20.0)	(8.5)	16.6	(4.3)	(9.4)	1.2	(2.8)	12.7	(0.4)
India	(41.2)	46.7	(54.4)	78.4	(83.9)	(59.9)	238.5	13.0	43.2
Carbogen AMCIS	(15.9)	(20.7)	58.8	(16.0)	11.0	3.5	(6.4)	14.5	(6.4)
UK	32.6	(36.0)	(18.0)	(22.7)	65.4	9.7	(12.6)	(10.3)	49.1
Marketable Molecules	(11.2)	(15.6)	11.9	0.5	7.3	(30.9)	37.6	18.8	16.2
Vitamin D /Cholesterol	(11.2)	(24.9)	5.7	12.6	12.1	(28.4)	23.3	13.0	61.6
Others	(11.2)	(2.5)	18.6	(11.2)	1.3	(34.4)	58.8	25.5	(31.1)
YoY Growth (%)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
CRAMs	11.9	5.4	20.5	(18.4)	(7.5)	2.3	(14.7)	0.4	10.4
India	28.3	52.6	(32.8)	(29.8)	(80.7)	(94.7)	(61.0)	(75.3)	119.5
Carbogen AMCIS	(0.4)	(7.4)	39.9	(11.1)	17.4	53.2	(9.7)	23.1	3.8
UK	184.3	(15.5)	(4.7)	(46.2)	(32.9)	15.1	22.7	42.2	28.2
Marketable Molecules	11.2	(0.4)	25.2	(15.7)	1.9	(16.6)	2.5	21.1	31.1
Vitamin D /Cholesterol	8.6	(2.3)	(14.0)	(20.6)	0.3	(4.4)	11.5	11.9	61.2
Others	15.2	1.8	125.6	(8.8)	4.2	(30.0)	(6.3)	32.4	(10.0)

Source: Company, Nirmal Bang Institutional Equities Research, *Excludes other operating income

Exhibit 3: Margin Summary

Margin Summary	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Gross Margin	75.0	86.6	76.1	78.3	68.6	84.6	81.8	68.6	76.7
EBITDA Margin	22.9	31.2	23.1	25.8	9.1	18.2	13.4	16.7	18.3
EBIT Margin	10.0	16.2	9.8	11.4	-6.5	0.4	-3.5	2.2	4.7
PAT Margin	6.6	8.8	6.1	14.1	-4.5	1.7	-3.4	-25.5	2.9

Source: Company, Nirmal Bang Institutional Equities Research

Financials

Exhibit 4: Income statement

Y/E March (Rsmn)	FY17	FY18	FY19	FY20	FY21
Net sales	17,137	16,948	20,586	20,436	19,120
% growth	7.0	(1.1)	21.5	(0.7)	(6.4)
Raw material costs	3,293	3,369	4,038	4,338	4,682
Staff costs	5,960	6,254	7,146	7,623	8,729
Other expenditure	3,350	2,871	3,883	3,251	2,966
Total expenditure	12,603	12,494	15,067	15,212	16,377
EBITDA	4,534	4,454	5,519	5,224	2,744
% growth	10.5	(1.8)	23.9	(5.3)	(47.5)
EBITDA margin (%)	26.5	26.3	26.8	25.6	14.3
Other income	261	457	538	445	385
Interest costs	490	488	566	620	476
Gross profit	13,844	13,579	16,548	16,098	14,439
% growth	9.9	(1.9)	21.9	(2.7)	(10.3)
Depreciation	2,135	2,114	2,404	2,829	3,079
PBT before exceptional items	2,170	2,308	3,087	2,221	(428)
Exceptional Items	-	-	-	-	223
PBT	2,170	2,308	3,087	2,221	(650)
% growth	49.7	6.4	33.8	(28.1)	NA
Tax	707	762	985	418	1,001
Effective tax rate (%)	32.6	33.0	31.9	18.8	(234.2)
Net profit	1,455	1,546	2,103	1,803	(1,651)
% growth	41.6	6.3	36.0	(14.3)	NA
EPS (Rs)	9.0	9.6	13.0	11.2	(10.2)
% growth	41.6	6.3	36.0	(14.3)	NA
Adjusted EPS	13	13.4	16.9	15.0	-6.4
% growth	101.9	4.4	25.7	(11.0)	NA

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: Balance sheet

Y/E March (Rsmn)	FY17	FY18	FY19	FY20	FY21
Net worth	48140	51,073	53,791	57,377	56,988
Net deferred tax liabilities	994	1,321	1,404	1,445	1,969
Total Loans	8,451	9,183	8,825	9,295	10,464
Other Non-Current Liabilities	2,263	2,343	2,483	5,300	6,761
Liabilities	59,847	63,921	66,503	73,417	76,183
Net Block	13434	15,033	15,330	17,119	16,990
Capital WIP	1215	1,190	1,433	2,023	4,246
Intangible Assets and Goodwill	35152	35,891	35,913	38,141	37,377
Other Non-Current Assets	3,679	4,189	5,073	6,892	8,007
Inventories	4266	4,846	5,486	6,069	5,157
Debtors	2856	4,444	4,453	5,774	3,792
Cash	874	691	957	1,610	2,777
Loans and advances	958	755	42	63	38
Other current assets	3501	4,726	4,598	4,534	4,863
Total current assets	12454	15,462	15,536	18,050	16,626
Creditors	856	1,859	1,946	2,835	1,630
Other current liabilities	5231	5,985	4,837	5,972	5,433
Total current liabilities	6087	7,844	6,782	8,807	7,063
Net current assets	6367	7,617	8,754	9,243	9,563
Total assets	59,847	63,921	66,503	73,417	76,183

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Cash flow

Y/E March (Rsmn)	FY17	FY18	FY19	FY20	FY21
PBT	2,170	2,308	3,088	2,221	(650)
(Inc.)/Dec in working capital	253	(1,434)	(1,744)	1,074	3,171
Cash flow from operations	2,423	874	1,344	3,294	2,521
Other income	(261)	(457)	(139)	(253)	(218)
Finance costs	490	488	566	620	476
Depreciation	2,135	2,114	2,404	2,829	3,079
Other Adjustments	(131)	327	(58)	106	(212)
Tax paid	(707)	(762)	(1,295)	(744)	(512)
Net cash from operations	3,949	2,585	2,821	5,851	5,134
Capital expenditure	844	(4,427)	(2,730)	(3,479)	(3,660)
Net cash after capex	4,793	(1,842)	90	2,372	1,474
Other investing activities	(811)	(53)	1,040	(938)	(148)
Cash from financial activities	(3,720)	1,713	(1,022)	(978)	(110)
Opening cash balance	613	874	655	763	1,219
Change in cash balance	261	(183)	108	456	1,216
Closing cash balance	874	691	957	1,610	2,777

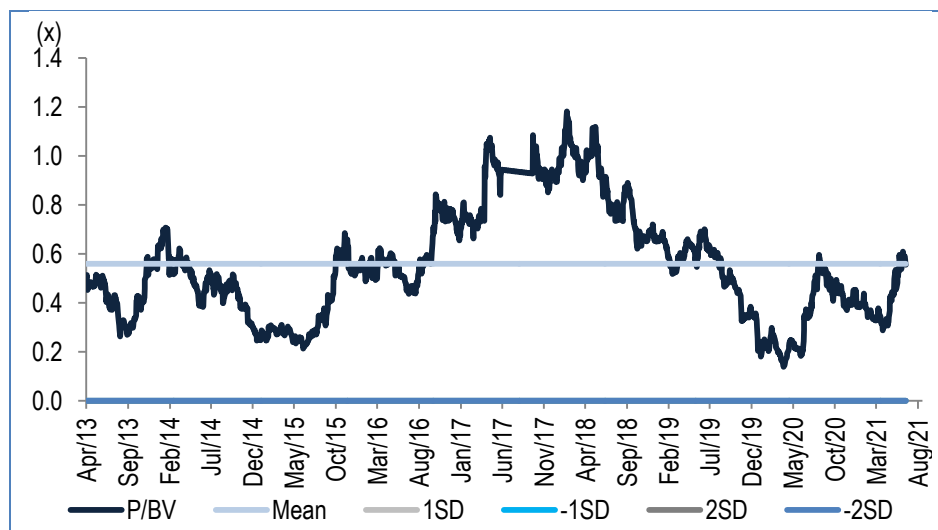
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 7: Key ratios

Y/E March	FY17	FY18	FY19	FY20	FY21
Profitability & return ratios					
EBITDA margin (%)	26.5	26.3	26.8	25.6	14.3
EBIT margin (%)	12.7	13.6	15.0	10.9	-3.4
Net profit margin (%)	8.5	9.1	10.2	8.8	-8.6
RoE (%)	3.0	3.0	3.9	3.1	-2.9
RoCE (%)	4.1	4.6	5.8	4.3	0.1
Working capital & liquidity ratios					
Receivables (days)	61	96	79	103	72
Inventory (days)	473	525	496	511	402
Payables (days)	95	201	176	239	127
Current ratio (x)	2.0	2.0	2.3	2.0	2.4
Quick ratio (x)	1.3	1.4	1.5	1.4	1.6
Valuation ratios					
EV/sales (x)	2.4	2.4	2.0	2.0	2.1
EV/EBITDA (x)	9.0	9.2	7.4	7.6	14.4
P/E (x)	22.9	21.5	15.8	18.4	NA
P/BV (x)	0.7	0.7	0.6	0.6	0.6

Source: Company, Nirmal Bang Institutional Equities Research

P/BV Chart

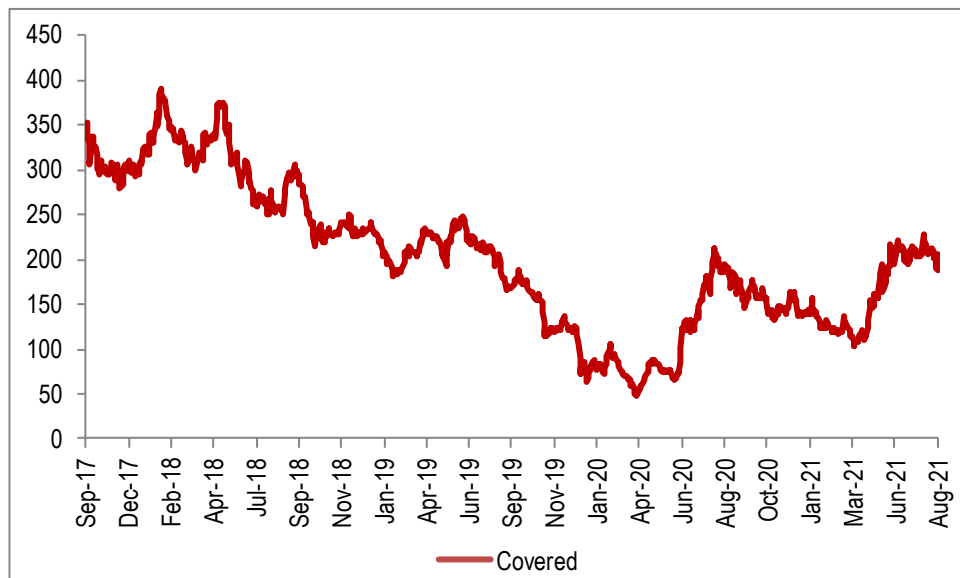


Source: BSE, Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
18 May 2017	Buy	305	387
2 May 2017	Buy	311	380
13 November 2017	Buy	306	410
29 January 2018	Accumulate	383	418
18 May 2018	Buy	340	404
27 July 2018	Buy	278	404
5 November 2018	Buy	229	429
25 January 2019	Buy	229	429
5 April 2019	Buy	226	446
17 May 2019	Buy	209	425
16 August 2019	Buy	186	344
23 September 2019	Buy	185	369
25 October 2019	Buy	130	185
27 December 2019	Buy	79	185
27 January 2020	Buy	82	185
27 March 2020	Buy	50	79
23 April 2020	Buy	84	110
5 June 2020	Buy	74	99
10 September 2020	Accumulate	169	172
22 September 2020	Accumulate	156	172
17 November 2020	Accumulate	132	139
7 January 2021	Buy	140	161
15 February 2021	Buy	123	147
13 May 2021	Buy	164	190
11 June 2021	Under Review	214	-
15 August 2021	Under Review	206	-

Rating track graph



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SELL < -5%

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