

DISHMAN - A Bounce Back - Though Still Away From the Turning Point

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Abstracts

DISH reported Y-o-Y growth of sales, EBITDA and net profit by 33%, 94% and 155% respectively – much above our estimates. The outperformance was on account of (1) a favorable forex that has the maximum impact on a company like DISH with 100% exports and completely unhedged forex position. We estimate 15% growth in sales (of the 33% reported) only due to forex, adjusted to which the EBITDA growth would be 37%. (2) Drastic improvement in Carbogen Amcis with presumably high revenue from research services that offers high margin and (3) a lower base in Q1 FY12.

While more research income is a clear welcome step for Carbogen Amcis, its conversion into manufacturing contracts will decide its sustainability. Management mentioned about a rich pipeline of contract research projects.

On the other hand, management still continues to spend as high as Rs.1b on maintenance capex. In addition, because of high no. of orders for Unit 9 (HIPO facility), there is a likelihood that the company might have to incur more capex, albeit not in FY13. Despite this, the management guide for a mere \$5m of sales in FY13 from Unit 9 with ramp up in FY14.

We double our FY13 earnings estimate incorporating for the high sales and margin growth. We increase our target price to Rs.47 and retain our Underperform rating. The rating reflects our concern on sustainability of business with enough profitability to generate free cashflow.

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