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# Dishman Carbogen Amcis Limited

January 3, 2024

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## Table of Contents

<b>Dishman Carbogen Amcis Limited</b> .....	2
<b>SWOT Analysis</b> .....	3
<b>Historical Performance</b> .....	3
<b>Operating Performance (period ended 31 March 2023)</b> .....	4
<b>Balance Sheet Highlights (period ended 31 March 2023)</b> .....	5
<b>Revenue, Net Income and EPS growth History</b> .....	5
<b>Ratio Analysis</b> .....	6
<b>Price Performance</b> .....	6
<b>Outlook</b> .....	7
<b>Key Risks and Uncertainties</b> .....	7
<b>Technical Analysis</b> .....	7
<b>Investment Summary</b> .....	8
<b>Technical Indicators Defined:</b> .....	9

## Dishman Carbogen Amcis Limited

Kaproots Global Rating	★★★★
Recommendation	Buy
Current Market Price	₹188.85
Risk	Moderate

## Equity Analysis

52 Week Range (₹)



Average volume	2.21 million	52 Week Range (₹)	80.00 – 195.00
Shares outstanding	156.78 million	Dividend amount (₹)	-
Free float	46.93 million	Dividend Yield	-
P/E (TTM)	-	Ex-date	-
Market cap (₹)	29.88 billion	Record date	-
EPS (TTM) (₹)	-3.04	Pay date	-
ROE	-0.84%	Franking	-

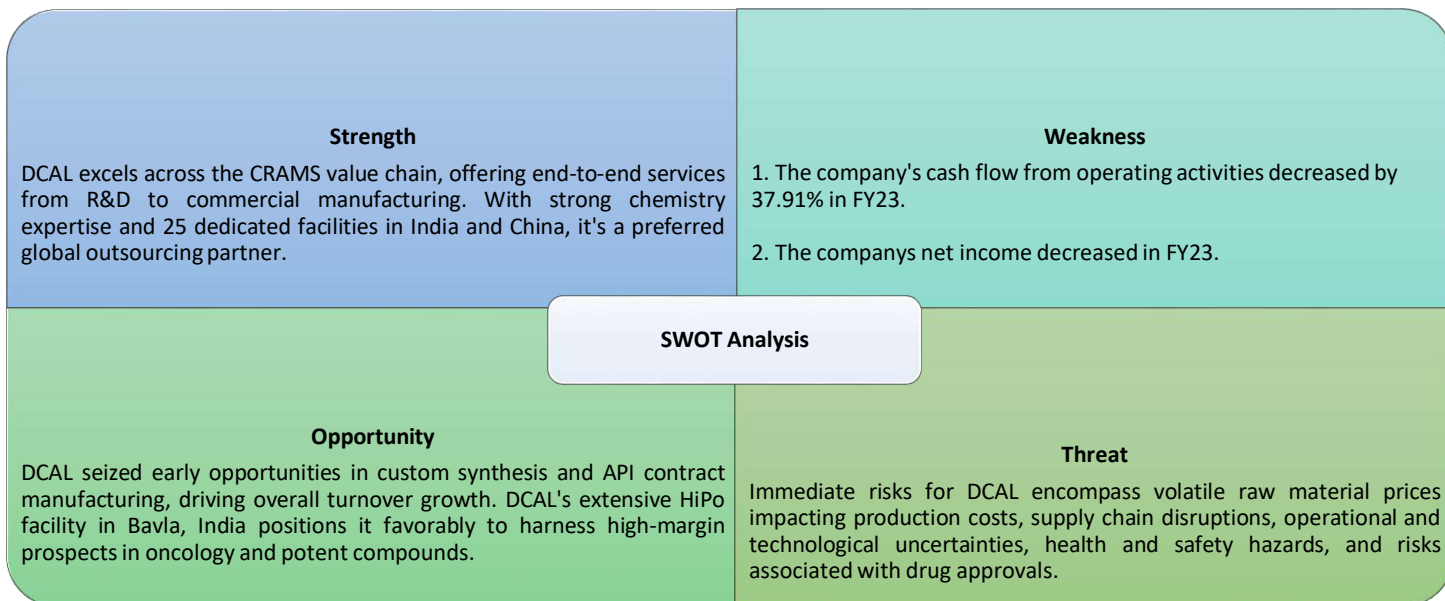
Source: (NSE and financial times), Analysis by Kaproots global

Dishman Carbogen Amcis Limited is a prominent entity offering comprehensive contract research and manufacturing services within the pharmaceutical sector, serving both domestic and international markets. Established in 1983 and based in Ahmedabad, India, the company functions across two primary segments: Contract Research and Manufacturing Services, along with Marketable Molecules.

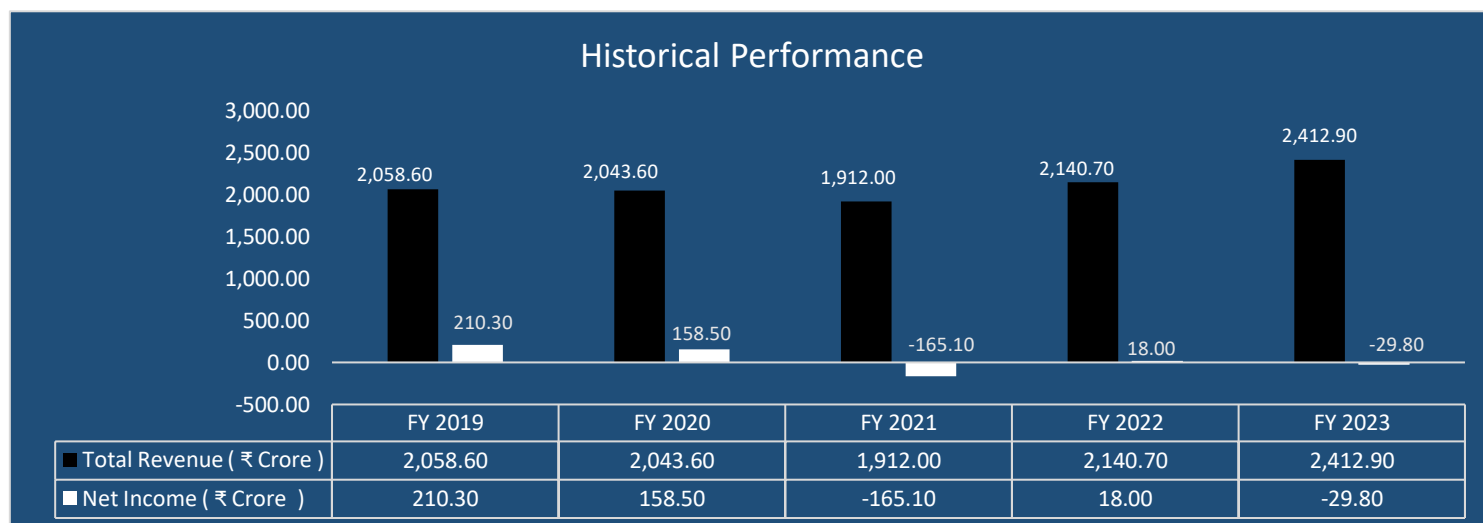
Its extensive portfolio encompasses the production and distribution of various pharmaceutical essentials, including bulk drugs, active pharmaceutical ingredients, and an array of chemical compounds like phase transfer catalysts, quaternary ammonium compounds, phosphoranes, and Wittig reagents. Additionally, the company specializes in the creation of diverse products, such as vitamin D formulations, fine chemicals, hand and body wash items, sanitizers, antiseptics, cholesterol, lanolin-related products, and disinfectant formulations. This broad spectrum extends to generic medications and highly potent active pharmaceutical ingredients, enhancing its presence in the industry.

Notably, Dishman Carbogen Amcis Limited operates as a subsidiary of Adimans Technologies LLP, showcasing its continued growth and evolution within the pharmaceutical manufacturing landscape. Through its multifaceted offerings and commitment to quality, the company stands as a key player in supporting the pharmaceutical industry's varied needs worldwide.

### SWOT Analysis



### Historical Performance

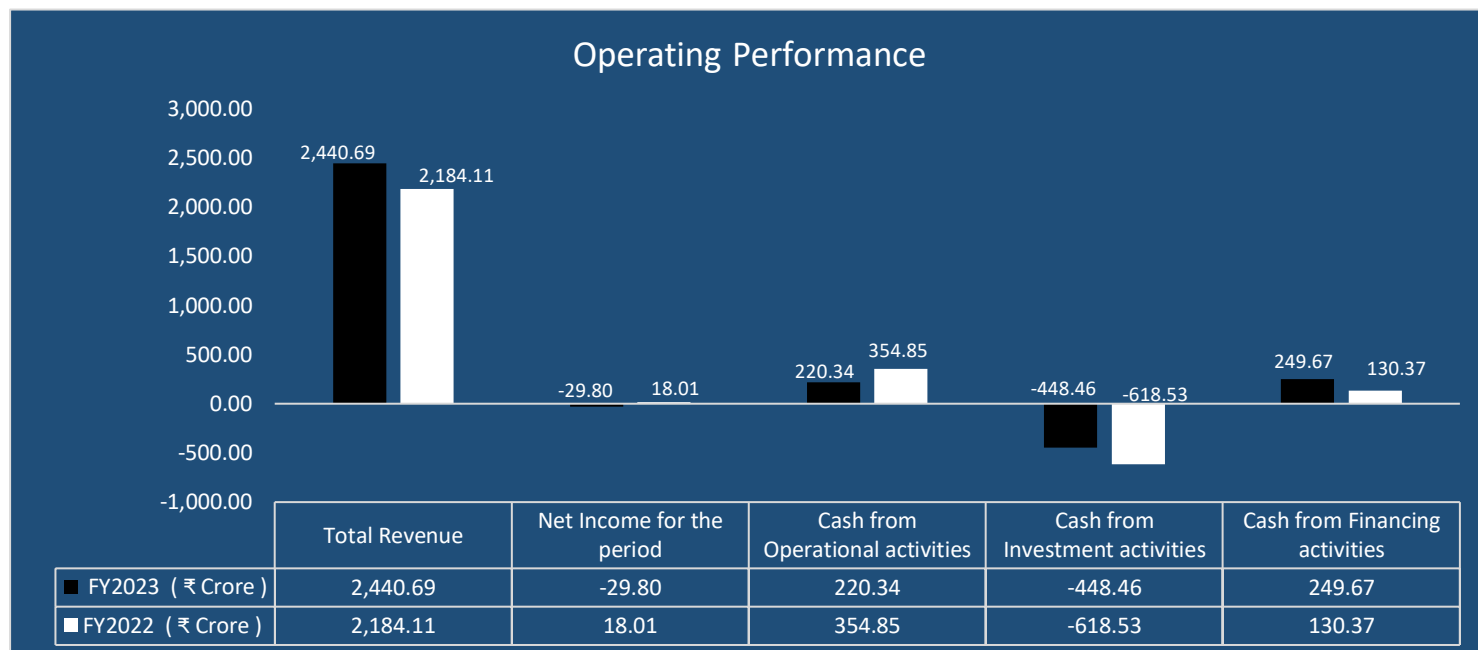


Source: Koyfin, Analysis by Kaproots Global

In fiscal year 2023, the company posted a total revenue of ₹2,412.90 Crore, reflecting an increase from the ₹2,058.60 Crore reported in FY19, reporting a CAGR of 4%.

However, the company reported a net income of ₹210.30 Crore in FY19 and reported a net loss amounting to ₹29.80 Crore in FY23.

Operating Performance (period ended 31 March 2023)



Source: Company Reports, Chart Prepared by Kaproots Global

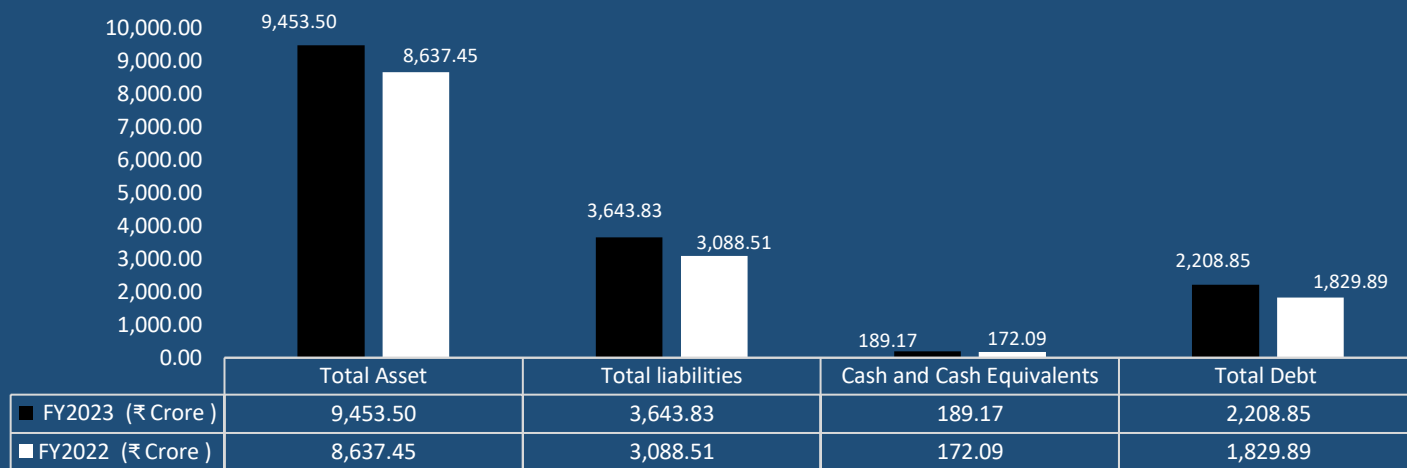
Dishman Carbogen Amcis Limited presents a robust lineup with approximately 15 APIs in advanced Late Phase III development, notably, five in their final stages. These encompass a wide spectrum of therapeutic areas including antibacterial infection, lymphoma, multiple myeloma, myeloid leukemia, hypersimplex, and gastric-related diseases. The European New Product Development Pipeline reached CHF 121 million by March 31, 2023.

Despite a 4.8% year-over-year decline in revenue within the Marketable Molecules segment, attributed to reduced earnings from Vitamin D analogues and cholesterol in CARBOGEN AMCIS BV, the company has shown significant investment. The Capital Expenditure for FY23 amounted to approximately ₹ 574.06 crores, covering growth and maintenance capex.

The Contract Research and Manufacturing Services (CRAMS) segment maintains a robust business pipeline, emphasizing the 15 late Phase III molecules mentioned earlier. The company's strategic focus remains on optimizing manufacturing facility utilization, targeting collaborations with smaller global biotech firms, and expanding into new geographical markets. To capitalize on existing and potential opportunities, Dishman Carbogen Amcis Limited has established additional developmental and small-scale manufacturing facilities in Switzerland, along with an injectable facility in France, bolstering its global presence and capabilities.

Balance Sheet Highlights (period ended 31 March 2023)

Balance Sheet Highlights

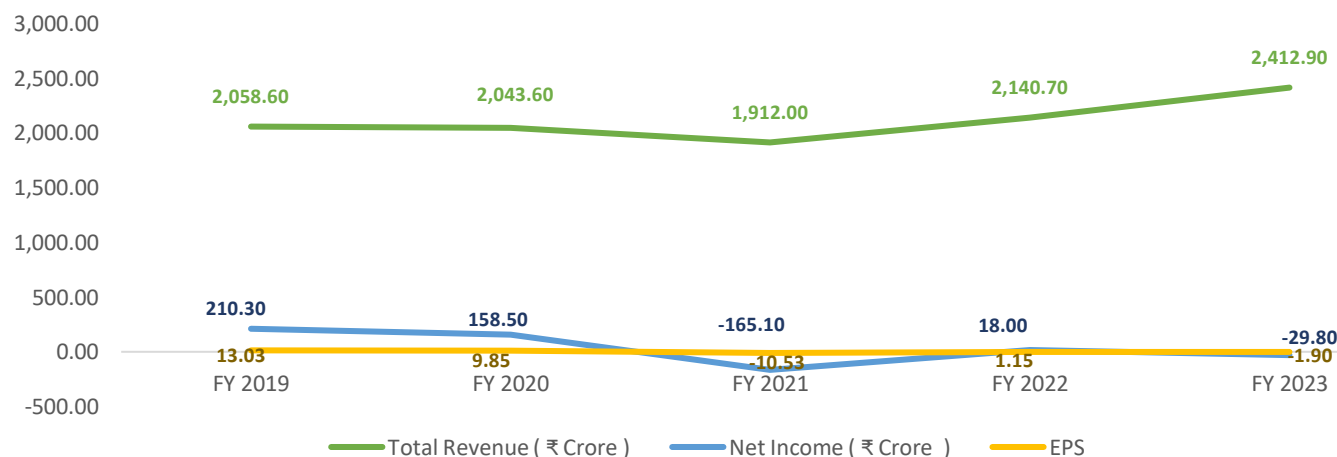


Source: Company Reports, Chart Prepared by Kaproots Global

By March 31, 2023, the company experienced a 9.45% increase in total assets, a 17.98% increase in total liabilities, an increase of 9.93% in cash and cash equivalents, and 20.71% increase in total debt compared to the corresponding figures reported on March 31, 2022.

Revenue, Net Income and EPS growth History

Revenue, Net Income and EPS growth History



Source: Koyfin, Analysis by Kaproots Global

Fiscal Years	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Growth Trend
Total Revenue (₹ Crore )	2,058.60	2,043.60	1,912.00	2,140.70	2,412.90	▲ ▲ ▲ ▲ ▲
Net Income (₹ Crore )	210.30	158.50	-165.10	18.00	-29.80	▲ ▲ ▲ ▲ ▲
EPS	13.03	9.85	-10.53	1.15	-1.90	▲ ▲ ▲ ▲ ▲

Source: Koyfin, Analysis by Kaproots Global

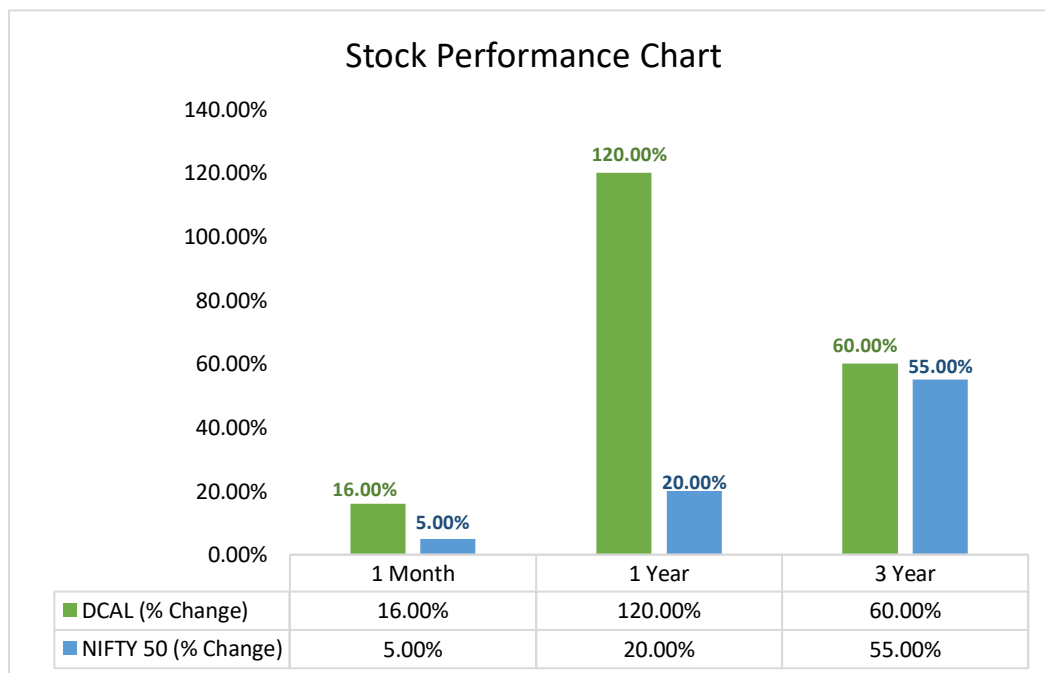
## Ratio Analysis

Fiscal Quarters	1Q FY2023	2Q FY2023	3Q FY2023	4Q FY2023	1Q FY2024	2Q FY2024
Return on Assets	-	-	-	-	-	-
Return On Equity %	0.29%	-0.72%	3.38%	-4.98%	1.17%	-2.83%
Return on Total Capital	0.45%	-0.03%	2.09%	2.43%	1.60%	-0.44%
EBITDA Margin %	16.67%	11.93%	16.63%	19.50%	16.81%	9.98%
Gross Profit Margin %	82.60%	73.14%	87.53%	50.21%	76.77%	76.71%
Net Income Margin %	0.74%	-1.64%	7.34%	-11.43%	2.35%	-6.97%
Asset Turnover	-	-	-	-	-	-
Inventory Turnover (Average Inventory)	-	-	-	-	-	-
Current Ratio	-	1.2	-	1.1	-	1.0
Days Sales Outstanding (Average Receivables)	-	-	-	-	-	-
Days Payable Outstanding (Avg)	-	-	-	-	-	-
Cash Conversion Cycle (Average Days)	-	-	-	-	-	-

Source: Koyfin, Analysis by Kaproots Global

- The Gross Profit Margin stood at 76.71% indicates that the company has a strong ability to generate profits from its products or services, with a high margin of revenue left after deducting the direct costs.

## Price Performance



Source: Investing.com, Analysis by Kaproots Global

DCAL shares outperformed in the one month, one year and three-year timeframe. When compared to the Nifty 50 Index. DCAL shares generated returns of 16.00%, 120.00%, and 60.00% over the one-month, one-year, and three-year periods, respectively.

Sector: Health Care  
Industry: Life Sciences Tools and Services  
03 January 2024

## Outlook

Dishman Carbogen Amcis Limited is strategically poised for future growth by concentrating on specialized generic APIs' development and manufacturing. The company is dedicated to crafting specific generic molecules that offer lucrative potential. Notably, it actively produces a diverse range of disinfectants while advancing towards pioneering the next era of antiseptic and disinfectant formulations.

Anticipated growth in Latin America, Eastern Europe, and parts of Asia will stem from increased adoption of innovative treatments. Moreover, a robust pipeline of drugs positioned for near-term commercialization promises to elevate prescription drug sales.

The company's commitment remains unwavering as it focuses on high-margin quaternary compounds and generic APIs, discontinuing or selectively selling low-margin products. Expansion plans include enlarging the imaging dyes portfolio, targeting the unmet demand in this segment, and foreseeing continued growth. Dishman Carbogen Amcis Limited's ongoing facility enhancements in Naroda and Bavla locations aim to optimize manufacturing costs, ensuring improved margins for generic products.

The company's steadfast emphasis on low-volume, high-value orders and maximizing capacity utilization underscores its dedication to bolstering margins and overall profitability in the foreseeable future.

## Key Risks and Uncertainties

The company has exposure to the following risks -

- Technological risk
- Operational risk
- Supply chain risk
- Regulatory risk
- Health and Safety risk
- Clinical Trial risk

## Technical Analysis



Source: TradingView, Analysis by Kaproots global



Company Name	Ticker	Sector	CMP (₹)	Advisory Date	Rating	Target 1 (₹)	Target 2 (₹)	Stop Loss (₹)
Dishman Carbogen Amcis Limited	DCAL	Health Care	188.85	3 January 2024	Buy	216.25	246.05	158.75

The stock of life sciences tools and services company DCAL settled at ₹188.85 on 03 January 2024 after a minor decline from the previous day's closing. It is currently trading near its 52-week high price level.

The stock price is trading above the significant exponential moving averages (EMA) of 20, 50, and 200 weeks on a weekly time frame, holding a bullish momentum for the near term.

It is trading near the pivot resistance R1 (₹208.50), holding a bullish momentum on a weekly time frame chart.

RSI (14 weeks) is at 69, holding a bullish momentum above the breakout zone in the index.

**Based on these facts, buying can be initiated at the current market price (CMP) level for the potential targets of ₹216.25 (previous swing resistance) and ₹246.05 (pivot resistance R2) in the coming days. Investors can book either full or partial profits at target one and wait for the stock to achieve target two (depending on their risk appetite).**

**Investors are advised to keep a strict stop loss at or below ₹158.75 (previous swing support) to protect their investments in case of an unfavourable movement in the stock due to any uncertain event.**

**Please Note: It would be in the best interest of investors to trail their stop-loss upward if the stock is moving in our favourable direction.**

## Investment Summary

Dishman Carbogen Amcis Limited boasts a global presence with 26 multi-purpose manufacturing facilities, operating across 11 sites in six countries and catering to a satisfied client base exceeding 250. The company strategically targets the Vitamin D segment, seizing opportunities through proactive measures. These initiatives involve integrating the existing Vitamin D segment into finalized formulations for both human and animal use, emphasizing the development of high-margin Vitamin D Analogues, exploring new markets, and progressing to the next phase of Vitamin D Analogues while securing patent applications.

In terms of growth drivers, the company's strengths lie in its diverse portfolio of specialized APIs for developmental projects, advancing commercialization efforts in the Phase III product pipeline, expanding its scope in oncology and highly potent compounds, enhancing laboratory development capabilities, optimizing facility capacities—especially the Shanghai facility—and steering towards higher-margin business. These initiatives reflect a strategic shift aimed at augmenting profitability and sustainable growth within the pharmaceutical landscape.

Hence, after considering the facts mentioned above, investors are advised to have a "Buy" rating on the stock of DCAL at the closing price of ₹188.85 on 03 January 2024, with a target price of ₹216.25 based on technical analysis.

*Note: Chart Prepared by Kaproots Global Research Rating Star has been decided over the quantitative analysis of the stock. Maximum number of stars can be 5, with 5 for the top rating and 1 for the lowest rating.*

## Technical Indicators Defined:

**EMA:** Exponential Moving Average is the moving average that puts more weight on the most recent data points.  $EMA = \text{Closing price} * \text{multiplier} + \text{EMA (previous day)} * (1 - \text{multiplier})$ . For a 200-day exponential moving average, the multiplier can be calculated with the formulae i.e.  $[2 / (200 + 1)] = 0.0095$ .

**RSI:** Momentum indicator, Relative Strength Index is used to evaluate the overbought or oversold nature of an asset by measuring the magnitude of its recent price's changes.

**Bollinger Band:** A technical analysis tool that uses two parameters i.e. period (default is 20) and standard deviations, forming a kind of price envelope depicting a range of upper price band and lower price band. This price band shifts according to the volatility swings, and it helps in identifying whether the underlying asset is in the overbought zone or oversold zone.

**Support:** This is a level or zone where the stock finds good demand indicating the buyer's strength.

**Resistance:** This is a level or zone where the stock finds a good supply indicating the seller's strength.

**Stop-loss:** This is the level from where the investors should exit their positions to prevent any further losses in case of unfavourable movement in the stock prices.

### **Customer Notice:**

*The information contained in this website is general information only. Any advice is general advice only. No consideration has been given or will be given to the individual investment objectives, financial situation or needs of any particular person. The decision to invest or trade and the method selected is a personal decision and involves an inherent level of risk, and you must undertake your own investigations and obtain your own advice regarding the suitability of this product for your circumstances. Please be aware that all trading activity is subject to both profit & loss and may not be suitable for you. The past performance of this product is not and should not be taken as an indication of future performance.*

*Disclosure: The information mentioned above has been sourced from the company reports and a third-party database, i.e., Koyfin. Investors are advised to use strict stop-loss to protect their investments in case of any unfavourable/uncertain market events.*

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