



MONTHLY
R|SEARCH
RECOMMENDATIONS

August 2022

BAJAJ CONSUMER CARE LTD. (Previous Close: INR162.65)

Buying Range: INR155 – INR150 | Stop-Loss: Closing Below INR110 | Target : INR230

Risk/Reward Ratio- around 1:2

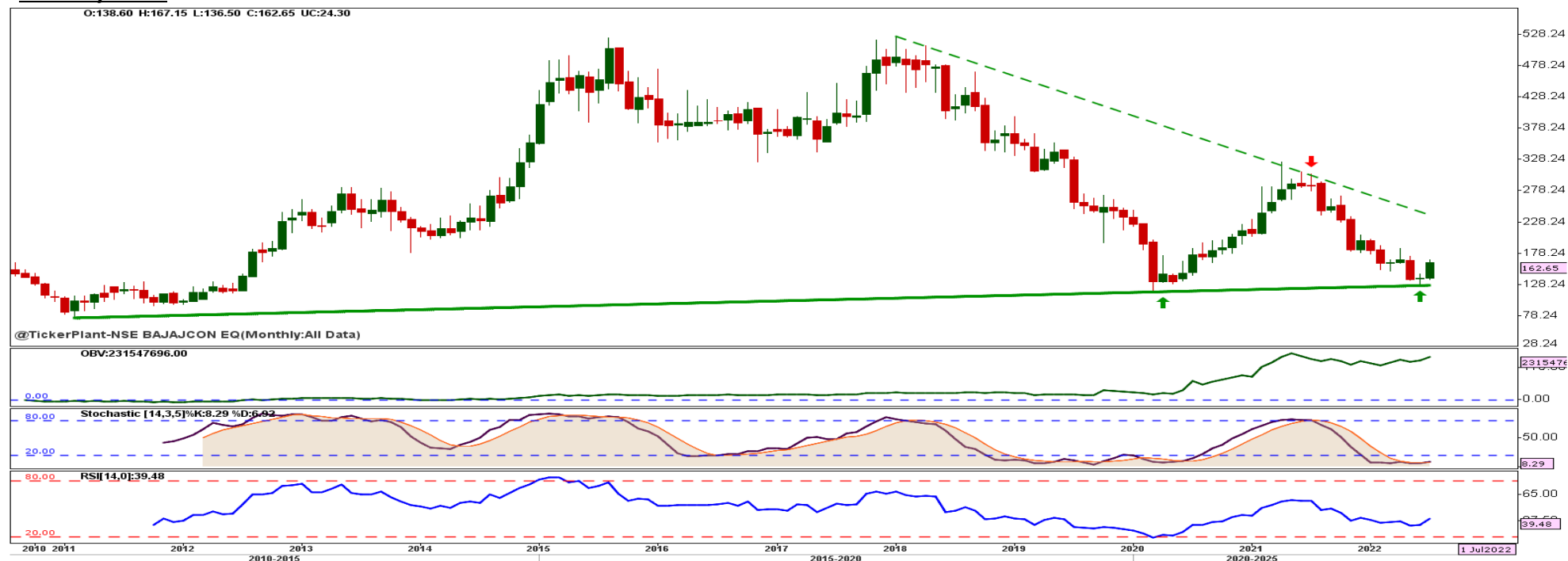
Projected Timeframe - 2 Months

Projected Profit- around 53%

Projected Loss- around 27%

The stock is seen turning around from the most critical prolonged ascending trend line that offers a midterm investment opportunity with favourable risk-reward ratio.

Monthly Chart:



Technical View:

After reacting down from 300 levels, the stock has been in a downtrend since past several months. **Recently, the stock is seen turning around from the most critical ascending trend line placed around 130 levels, which is likely to act as the immediate pivotal support. Rising volume oscillator OBV during the downtrend implying accumulation.** Leading indicator Stochastic has already reached the oversold zone while the RSI is seen turning around following price recovery.

Chart pattern suggesting probable mid-term trading range likely to be 150-200. Higher resistance is placed around 230 levels.

Based on the aforementioned explanations, **we recommend buying BAJAJ CONSUMER on dips in the price range of 155-150 for the target of 230.**

BAJAJ CONSUMER CARE LTD. (Previous Close: INR162.65)

Buying Range: INR155 – INR150 | Stop-Loss: Closing Below INR110 | Target : INR230

Incorporated in 2006 and part of the Shishir Bajaj Group of companies, BCCL is a leading manufacturer of light hair oil in consumer packs under the Bajaj Almond drops hair oil brand. The company also has presence in other hair oil categories through Bajaj Brahmi Amla, Bajaj Coco Jasmine and Bajaj Kailash Parbat brands. It purchased the Nomarks brand in fiscal 2014 to enter the skin care category.

Growing Market

India has over 1.3 billion people, with approximately 60% of the population living in rural areas, where consumption expenditure has been increasing in recent years. As long as industrialization and government policies are implemented to improve rural areas, the FMCG sector will continue to grow in terms of valuation, providing investors with healthy returns. The FMCG sector is expected to grow at the rate of 15% annually, scaling the volumes to Rs 16.30 lakh crore by 2025.

Leader in the Indian light hair oil segment

Bajaj Consumer's market share in the light hair oil segment has increased to ~64%. Its estimated market share in the total hair oil segment was ~10.5%, with Bajaj Almond Drops penetration touching 21%.

Expanding product range

The majority of the company's revenue is derived from Bajaj Almond Drops Hair Oil. BCCL is trying to reduce dependence on its star product and is diversifying in the premium hair oil category. BCCL also entered the Personal Hygiene Segment with the launch of a new product, the Bajaj Nomarks Hand Sanitizer. 15 new Hair Care products launched in FY22 and ~15 to be launched in 2023. E Commerce continues to scale up well with growth of 50% in Q4 and 80% growth on a full year basis over last year. New launches contributed to 9% of Ecom B2C sales in Q4. Amla Portfolio in Q4 has continued to ramp up. Share on Amla Portfolio has hit 3% in Q4, with Sarson Amla at 0.3% - Launched in 2021.

It plans to expand the Almond Drops brand and launch more products in the coming quarters. Bajaj Consumer Care Ltd recently launched Bajaj Almond Drops soap to tap into the Rs 20,000 crore soap market in India.

Large national footprint

Bajaj Consumer has a nationwide distribution network of over 8500 distributors spanning close to 43 lakh retail outlets. The company also has a strong presence in India's rural markets. The rural segment accounted for nearly 40% of the company's revenue.

Healthy Operating Margins

Bajaj Consumer owns four manufacturing facilities and also resorts to third party manufacturing. The company has maintained a healthy operating margin of ~25% in the past decade.

Expanding Addressable Market

With a broad base of the hair oil portfolio, the launch of pure coconut and value-added coconut, the total addressed market for the company in hair oils has more than doubled from 35% at the start of FY2022 to more than 83% of the addressable market by the beginning of FY2023.

We expect the company to lock revenue and PAT cagr of ~ 7% and 14% respectively over FY22-FY24 assuming low margins of ~ 20-21% against the historical average of 25-27%. A drop in raw material prices coupled with faster or expected ramp-up of the new product launches and traction in almond oil sales could lead to substantial rerating of these numbers and the company's valuation as well. Currently the stock is trading a multiple of 14.3x considering the cope of growth form new launches and margin improvement coupled with strong return ratios we recommend a **BUY** on the stock.

TATA STEEL LTD. (Previous Close: INR107.60)

Buying Range: INR100 – INR90 | Stop-Loss: Closing Below INR80 | Target: INR125

Risk/Reward Ratio- around 1:2

Projected Timeframe - 1 Month

Projected Profit- around 32%

Projected Loss- around 16%

The stock is seen taking support around previous established top that offers a very short-term investment opportunity with favourable risk-reward ratio.

Weekly Chart:



Analysis:

After a sharp decline from its all-time highs, the stock is seen taking support around the previous established top and the 200 EMA. Leading indicator Stochastic has already reached the oversold zone while the RSI is seen turning around following price recovery suggesting, this pull back is likely to continue towards 125 levels. Direction of the ADX suggesting trend reversal more significantly.

Based on the aforementioned explanations, we recommend buying TATA STEEL on dips in the price range of 100-90 for the target of 125.

DCB BANK LTD. (Previous Close: INR89.10)

Buying Range: INR85 – INR80 | Stop-Loss: Closing Below INR57 | Target: INR130

Risk/Reward Ratio- around 1:1.9

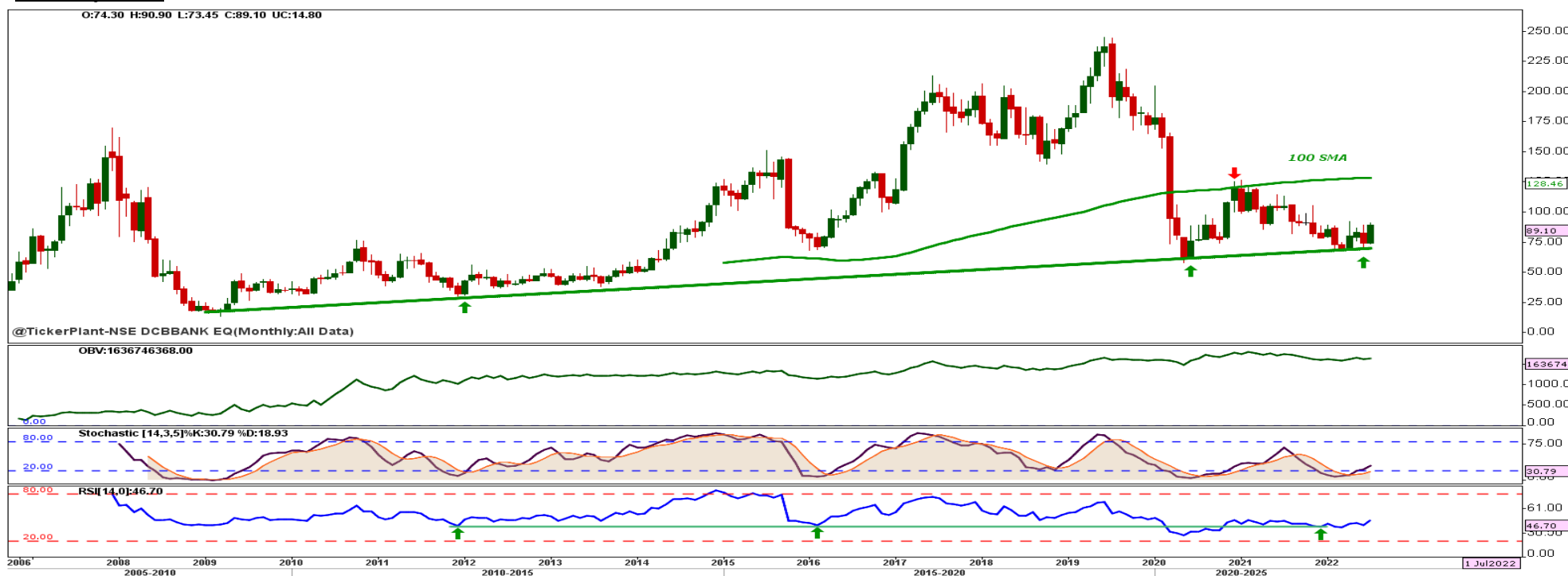
Projected Timeframe - 3 Month

Projected Profit- around 58%

Projected Loss- around 31%

The stock is seen turning around from the most critical prolonged ascending trend line that offers a midterm investment opportunity with favourable risk-reward ratio.

Monthly Chart:



Analysis:

After reacting down from the 100 SMA, the stock has been in a downtrend since past several months. **Recently, the stock is seen turning around from the most critical ascending trend line placed around 70 levels, which is likely to act as the immediate pivotal support. Rising volume oscillator OBV during the downtrend implying accumulation.** Leading indicator Stochastic has already reached the oversold zone while the RSI is seen turning around following price recovery.

Chart pattern suggesting probable mid-term trading range likely to be 80-100. Higher resistance is placed around 130 levels.

Based on the aforementioned explanations, **we recommend buying DCB BANK on dips in the price range of 85-80 for the target of 130.**

SUN PHARMACEUTICAL INDUSTRIES LTD.

CMP (INR) (As on 29th July 2022): INR 944 | Target: INR 1016 | Upside (%): 7% | Recommendation: Accumulate | Timeframe – 12 to 18 Months

Stock Scan

Market cap (INR mn)	22,64,939
Outstanding Shares (mn)	2399
Face Value (INR)	1
Dividend Yield (%)	0.74%
P/E (x)	70.0
P/B (x)	4.3
Debt/Equity (x)	0.03
Beta vs. Sensex	0.7
52 Week High/ Low (INR)	967/681
Avg. Daily Volume (NSE)/3 mth (mn)	3.0

Sun Pharmaceutical Industries is India's largest and the world's fifth-largest generic pharmaceutical company. The product mix will change going forward, driven by higher contribution from the specialty and strong India business. Specialty contributed 14.2% to total revenues. The company launched 22 new products in the India market in Q1FY23 and it holds 8.5% market share in the India business.

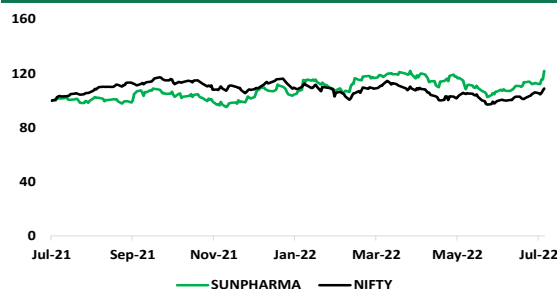
Valuation & Outlook

- ✓ The specialty segment of the company looks attractive due to robust pipeline and ramp up in branded drugs prescriptions.
- ✓ The India business continues to grow at high double digit with increased market share. The company plans to ramp up in chronic and branded portfolio.
- ✓ The company has rich pipeline of 89 ANDAs awaiting USFDA approval (out of which are 28 tentative approvals).
- ✓ We assign 26x PE multiple to FY24E earnings and arrive at a target price **Rs 1,016, offering 7% upside from current levels. Accumulate.**

Shareholding Pattern (%)

	Jun 2022	Mar 2022	Dec 2021
Promoters	54.5	54.5	54.5
Institutions	34.6	34.4	34
Non-Institution	10.9	11.1	11.5

Stock vs. Nifty (Relative Returns)



Financial Performance at a glance

Particulars (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Net sales	3,28,375	3,34,981	3,86,545	4,19,273	4,61,359
Growth (%)	13.0	2.0	15.4	8.5	10.0
EBITDA	69,898	84,914	1,03,977	1,08,253	1,25,534
EBITDA margin (%)	21.3	25.3	26.9	25.8	27.2
PAT	37,649	29,038	32,728	80,593	93,516
PAT margin (%)	11.5	8.7	8.5	19.2	20.3
EPS (Rs)	17.5	9.5	14.2	33.6	39.0
P/E (x)	33.9	88.8	60.7	28.1	24.2
P/BV (x)	3.1	4.4	4.3	4.2	3.7
RoE (%)	9.7	5.0	7.2	16.0	16.5
RoCE (%)	8.4	10.7	13.3	12.9	13.8
EV/EBITDA (x)	20.6	23.6	19.5	20.1	16.9

Sun Pharmaceutical Industries LTD.

CMP (INR) (As on 29th July 2022): INR 944 | Target: INR 1016 | Upside (%): 7% | Recommendation: Accumulate | Timeframe – 12 to 18 Months

Investment Rationales:

Strong US business: SUNP's ANDA pipeline looks promising with limited competition opportunities such gPentasa and gSensipar. gPentasa currently is a 2 player market with market size of USD 217 Mn, we assume 50% price erosion and 50% market share by Sun which adds USD 50 Mn i.e 3% growth to SUNP's US revenue. The company has rich pipeline of 93 ANDAs awaiting USFDA approval (out of which are 28 tentative approvals).

India Business: Robust revenue visibility: India business has seen growth of 23% YoY in FY22 to INR 127,593 Mn mainly driven by pick up in chronic and semi chronic portfolio. SUNP continued to remained on the top of the market, maintaining its leadership position by capturing 8.3% market share in the IPM (Indian Pharma Market). The company plans to expand its field force by 10% in FY2023 for its branded portfolio and geographical expansion. We expect 8% growth for SUNP in the domestic market in FY23E which will be driven by price hike and volume gain in key therapies such as cardiovascular and gastroenterology and new product launches.

Specialty business to grow further: SUNP's global specialty portfolio grew by 39% in FY22 to USD 679 Mn driven by increased sales of Ilumya which witnessed robust growth of 81% in FY22 to USD 315 Mn. SUNP has improved its business mix by launching more products in specialty which garners higher margin for the company. The contribution from specialty has increased significantly from 7% in FY18 to 13% in FY22.

We assign 26x PE multiple to FY24E earnings and arrive at a target price **Rs 1,016, offering 7% upside from current levels. Accumulate.**



Research catering to client needs

	Long term Investing	Medium term investing	Short term Trading	Intra – day Trading
Fundamentals	High	Medium	Low	Absent
Derivatives	Low	Low	High	High
Technicals	Low	Low	High	High

Research Basket

Long-term Investment

- 12 to 18 month perspective – Detailed company reports
- Others – Muhurat Picks and Annual Strategy Picks

Medium-term Investment

- 3 to 6 months perspective
- Technical and Quant Picks

Short-term Investment & Trading

- 1 month investment call
- Positional Momentum Picks
- BTST, STBT on leading stocks

Intraday Trading

- Daily Calls – Cash, Futures and Options

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