



**SMIFS
LIMITED**
LEGACY | TRUST | GROWTH

MONTHLY

R|SEARCH

RECOMMENDATIONS

November 2022

DR REDDY'S LABORATORIES LTD. (Previous Close: INR4433.70)

Buying Range: INR4300 – INR4200 | Stop-Loss: Closing Below INR3900 | Target : INR4950

Risk/Reward Ratio- around 1:2

Projected Timeframe - 2 Months

Projected Profit- around 16%

Projected Loss- around 8%

The stock is seen taking support along the critical MA band that offers a midterm investment opportunity with favorable risk-reward ratio.

Weekly Chart:



Technical View:

After reacting up from around critical MA band placed around 4000 levels, the stock is seen making higher highs- higher lows pattern. Both leading indicators stochastic oscillator and RSI seen moving higher in tandem with rising trend suggesting further upside in coming days.

Based on the aforementioned explanations, **we recommend buying Dr REDDY'S on dips in the price range of 4300-4200 for the target of 4950.**

DR REDDY'S LABORATORIES LTD. (Previous Close: INR4433.70)

Buying Range: INR4300 – INR4200 | Stop-Loss: Closing Below INR3900 | Target : INR4950

Fundamental View:

DRL offers a portfolio of products and services, including pharmaceutical generics, APIs, custom pharmaceutical services, biosimilars and differentiated formulations. It has three divisions—global generics (accounted for 83.6% of its revenues in FY2022), PSAI (14.3%) and proprietary products and others (PP and Aurigene Discovery Technologies Limited; 2.1%). The major therapeutic areas for the company include central nervous system, gastro-intestinal, oncology, cardiovascular and pain management with the US, India, Western Europe, Russia and the CIS countries being its major markets. DRL has nine API-manufacturing facilities, of which six are in India, one in Mexico, one in the US and one in the UK, coupled with 10 formulations manufacturing facilities in India, and one each in the UK and US. In addition, the company has one biologics facility in India and nine technology development and R&D centres in India and across the globe.

API - Aim to backward-integrate 70%+ core molecules resulting in +500 bps gross margin improvement in next 5 years 225+ active DMFs, 55+ products in pipeline. Discovery + CDMO services to originator & biotech companies Serving 3 of top 5 innovators and 120 biotech companies globally. Global biosimilars business with Highly Regulated Market Approvals. PEG-GCSF : already approved in Europe and in advanced stages of review with US FDA. Rituximab: Advanced stages of completing Global Safety Efficacy trials; expected filing for regulated markets by early 2023. have a current portfolio of 6 commercial products in India and in 25+ Emerging Markets. Robust pipeline of \$50Bn+ of Innovator Peak Sales.

In FY22, USA accounted for 37% of revenues, followed by India (22%), Russia (9%), and others (32%). North America - Strong Portfolio - 335+ products of which 160+ commercial and rest in various stages of the pipeline. Europe- Strong pipeline of biosimilars and generics. Expansion into 5 new countries in the last year. India – 16 Brands in IPM Top 300. 15 Brands in IPM Top 300 Brands with >100Cr+. While the US is still its biggest market, the country's share in the overall business has come down in the last five years and India's share has increased.

In recent years the company has done several acquisitions. It acquired brands from UCB in 2015 for INR800 crore. In 2020, it acquired a portfolio of 62 brands from Wockhardt for INR1,850 crore. In April 2022, Dr. Reddy's acquired a key brand for cardiovascular ailments — Cidmus — from Novartis for INR456 crore. In February 2022, the company inked an exclusive sales and distribution agreement with Novartis for its established drugs in pain management and women's health segment, which include Voveran, calcium ranges, and methergine products. After the Wockhardt portfolio acquisition, Dr. Reddy's ranking in the Indian market has moved from 16 to 10 while the company is eyeing top 5 ad with decent balance sheet strength inorganics growth remains an option.

The other lever for growth is new product launches. Dr. Reddy's product launches in India, including line extensions, and in-house and acquired products, as well as Covid-19 products, were 41 in FY22 and this momentum is likely to continue. Some of the key launches have been in the last few years have been Vozet (in FY18); Hervycta (in FY19); Versavo, Cetzine, and Celevida in FY20; Wockhardt brands Zedex, Bro-Zedex, and Biovac in FY21; and Voveran (licensed from Novartis and launched towards the end of FY22). The company has been able to grow the brands it acquired from Wockhardt. The lead brands Zedex and Bro-Zedex had sales of around INR160 crore when Dr. Reddy's acquired them, but now their combined sales are around INR300 crore. Apart from these, Dr. Reddy's has identified some adjacencies in nutrition and over-the-counter (OTC) products. It has launched 10 nutritional products, which have received a good response, and an OTC product, ORS liquid Rebalanz, which brought revenues of about INR50 crore last year.

Net cash surplus of Rs. 1,500+ Cr, Consistent annual cash generation of Rs. 2,000+ Cr. Targeting to serve 1.5Bn+ patients (3X from current baseline) Double digit revenue growth, 25% EBITDA and 25% ROCE. We expect the company's topline and bottomline to register a CAGR of ~8% & 15% respectively over the period FY22-FY24E. The stock is currently trading at ~ 18X FY24E earnings which is at discount to the historical average of ~ 33x, we expect the stock to see some decent rerating over the next 12-18 months as the efforts yield results and recommend a buy on the stock.

JUBILANT PHARMOVA LTD. (Previous Close: INR367.05)

Buying Range: INR350 – INR330 | Stop-Loss: Closing Below INR300 | Target: INR420

Risk/Reward Ratio- around 1:2

Projected Timeframe - 1 Month

Projected Profit- around 24%

Projected Loss- around 12%

After a prolonged downtrend, the stock is seen taking support along the long-term ascending trend line that offers a midterm investment opportunity with favorable risk-reward ratio.

Weekly Chart:



Analysis:

After a prolonged down trend, the stock is seen taking support along the long-term ascending trend line placed around 300 levels. Both the leading indicators RSI and Stochastic showing massive positive divergence while +DI –DI bullish crossover is already done suggesting trend reversal.

Based on the aforementioned explanations, we recommend buying JUBILANT PHARMOVA on dips in the price range of 350-330 for the target of 480.

GODFREY PHILLIPS INDIA LTD. (Previous Close: INR1484.50)

Buying Range: INR1420 – INR1400 | Stop-Loss: Closing Below INR1200 | Target 1: INR1700 | Target 2: INR1800

Risk/Reward Ratio- around 1:2

Projected Timeframe - 3 Month

Projected Profit- around 28%

Projected Loss- around 14%

The stock is seen breaking out a prolonged triangle that offers a midterm investment opportunity with favorable risk-reward ratio.

Weekly Chart:



Analysis:

After reacting up from around 1060 levels, the stock is seen breaking out a prolonged triangle, which may unfold next leg of up move towards 1700 and 1800 levels. Rise in volume during the breakout while the OBV is rising steadily suggesting this breakout is reliable. Leading indicator RSI moving up without interruption while ADX has just started trending higher above twenty also suggesting retracement towards 1400 may again find long-term buyers.

Based on the aforementioned explanations, we recommend buying GODFREY PHILIP on dips in the price range of 1420-1400 for the targets of 1700 and 1800.

HERO MOTOCORP LTD.

CMP (INR) (As on 31st Oct 2022): INR 2,680 | Target: INR 3,336 | Upside (%): 24% | Recommendation: Buy | Timeframe – 12 to 18 Months

Stock Scan

Market cap (INR mn)	5,33,475
Outstanding Shares (mn)	200
Face Value (INR)	2
Dividend Yield (%)	3.5%
P/E (x)	17.2
P/B (x)	3.1
Debt/Equity (x)	0.0
Beta vs. Sensex	0.68
52 Week High/ Low (INR)	2,939/2,148
Avg. Daily Volume (NSE)/3 mth (mn)	0.63

Hero MotoCorp is the largest two-wheeler manufacturer in the world (in volume terms). It has a wide range of models from 100-200cc and has been deriving ~50% of its sales from rural areas. Hero is a leader in the entry level segment with ~62% market share and has ~48% share in the total motorcycle segment in India. The company has eight manufacturing facilities, including six in India and one each in Colombia and Bangladesh. It has good tie-ups with various companies for electric vehicles.

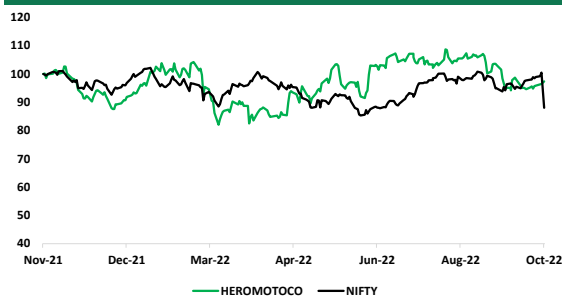
Valuation & Outlook

- ✓ We appreciate 360-degree efforts of Hero MotoCorp on EVs, realistically projected, & still found the company is **trading at an inexpensive valuation of 13.0x Sep '24 estimated EPS**, and suggest its worth taking stake looking at the efforts to fast fill its white spaces viz. exports, premiumization & scooters, along with not leaving any stone unturned for EVs.
- ✓ Realistically projected looking at the current demand situation. Assigned 16x Sep '24 estimated EPS of Rs 205 (valued Hero FinCorp separately), to arrive at a **target price of Rs 3,336 per share**.

Shareholding Pattern (%)

	Sep 2022	Jun 2022	Mar 2022
Promoters	34.8	34.8	34.8
Institutions	54.6	54.4	53.4
Non-Institution	10.6	10.8	11.8

Stock vs. Nifty (Relative Returns)



Financial Performance at a glance

Particulars (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Net sales	308,006	292,455	342,151	377,417	413,219
Growth (%)	6.8%	-5.0%	17.0%	10.3%	9.5%
EBITDA	40,192	33,688	42,883	50,805	58,026
EBITDA margin (%)	13.0	11.5	12.5	13.5	14.0
PAT	29,642	24,730	30,954	38,178	43,826
PAT margin (%)	9.6	8.5	9.0	10.1	10.6
EPS (Rs)	148	124	155	191	219
P/E (x)	19.4	22.0	17.2	14.0	12.2
P/BV (x)	3.5	3.4	3.1	2.9	2.6
RoE (%)	20.2	16.0	18.9	21.5	22.7
RoCE (%)	19.3	15.2	18.1	20.8	21.9
EV/EBITDA (x)	11.6	12.9	9.6	7.8	6.6

HERO MOTOCORP LTD.

CMP (INR) (As on 31st Oct 2022): INR 2,680 | Target: INR 3,336 | Upside (%): 24% | Recommendation: Buy | Timeframe – 12 to 18 Months

Investment Rationales:

- ✓ **Sales rebounded in domestic:** QoQ volumes rebounded in the last two quarters mainly due to improvement in the retail demand and higher sales ahead of the festivals. Rural momentum is showing signs of pick-up which will lift-up volumes of Hero MotoCorp in the coming quarters. We expect volumes CAGR 9% FY22-FY25e and realization CAGR 3.4% for the same period, driven by the focus on building premium portfolio & doing premiumization in existing models along with a rebound in domestic demand & price increase. The sales for Xtec series is healthy despite 7-10% higher prices. While export demand is facing temporary headwinds, we expect sales to pickup from H2FY23.
- ✓ **Margin improvement on the cards:** We are optimistic on improving margin trend from Q2FY23 onwards driven by 1) benefits of soft commodity prices, 2) higher operating leverage, 3) price increases, 4) normalization in the employee cost & 5) selling more xTec & premium motorcycles. All this augurs well for the margin improvement. We expect the gradual margin improvement % in FY25e.
- ✓ **Special emphasis on EVs & 360-degree efforts continue:** EVs remain the core focus with in-house development, investment in Ather, Gogoro JV, collaboration for design, battery pack plans, etc. to provide an edge over competitors. Hero to use its existing unmatched distribution channels for EV sales is extremely positive. VIDA should see good response as per our analysis & dealers feedback.
- ✓ **Attractive valuations:** The company has strong RoE & RoCE profile with a good dividend yield. Realistically projected looking at the current demand situation. Assigned 16x Sep '24 estimated EPS of Rs 205 (valued Hero FinCorp separately), to arrive at a target price of Rs 3,336 per share. Strongly recommend BUY.



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

Analyst Certification:

We /I, Jaydeb Dey and Amit Hiranandani Research Analyst(s) of SMIFS Limited (in short “SMIFS / the Company”), authors and the names subscribed to this Research Report, hereby certify that all of the views expressed in this Research Report accurately reflect our views about the subject issuer(s) or securities and distributed as per SEBI (Research Analysts) Regulations 2014. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this Research Report. It is also confirmed that We/I, the above mentioned Research Analyst(s) of this Research Report have not received any compensation from the subject companies mentioned in the Research Report in the preceding twelve months and do not serve as an officer, director or employee of the subject companies mentioned in the Research Report.

Terms & Conditions and Other Disclosures:

SMIFS Limited is engaged in the business of Stock Broking, Depository Services, Portfolio Management and Distribution of Financial Products. SMIFS Limited is registered as Research Analyst Entity with Securities & Exchange Board of India (SEBI) with Registration Number – INH300001474.

SMIFS and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Research Analysts. SMIFS generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this Research Report have been prepared by SMIFS and are subject to change without any notice. The Research Report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of SMIFS Limited. While we would endeavor to update the information herein on a reasonable basis, SMIFS is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent SMIFS from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or policies of SMIFS, in circumstances where SMIFS might be acting in an advisory capacity to this company, or in certain other circumstances.

This Research Report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This Research Report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Securities as defined in clause (h) of section 2 of the Securities Contract Act, 1956, includes Financial Instruments, Currency and Commodity Derivatives. Though disseminated to all the customers simultaneously, not all customers may receive this Research Report at the same time. SMIFS will not treat recipients as customers by virtue of their receiving this Research Report. Nothing in this Research Report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this Research Report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. SMIFS accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this Research Report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. The information given in this report is as of date of this report and there can be no

assurance that future results or events will be consistent with this information. The information provided in this report remains, unless otherwise stated, the copyright of SMIFS. All layout, design, original artwork, concepts and intellectual Properties remains the property and copyright of SMIFS and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the SMIFS.

SMIFS shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, breakdown of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of SMIFS to present the data. In no event shall SMIFS be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the SMIFS through this report.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (a) Exchange Rates can be volatile and are subject to large fluctuations; (b) the value of currencies may be affected by numerous market factors, including world and notional economic, political and regulatory events, events in Equity & Debt Markets and changes in interest rates; and (c) Currencies may be subject to devaluation or government imposed Exchange Controls which could affect the value of the Currency. Investors in securities such as Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Since associates of SMIFS are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this Research Report.

SMIFS and its Associates, Officers, Directors, Employees, Research Analysts including their relatives worldwide may: (i) from time to time have long or short positions in, and buy or sell the Securities, mentioned herein or (ii) be engaged in any other transaction involving such Securities and earn brokerage or other compensation of the Subject Company/ companies mentioned herein or act as an Advisor or Lender/Borrower to such Companies or have other potential/material Conflict of Interest with respect to any recommendation and related information and opinions at the time of the publication of the Research Report or at the time of Public Appearance.

SMIFS does not have proprietary trades but may at a future date, opt for the same with prior intimation to Clients/ Investors and extant Authorities where it may have proprietary long/short position in the above Scrip(s) and therefore should be considered as interested.

The views provided herein are general in nature and do not consider Risk Appetite or Investment Objective of any particular Investor; Clients/ Readers/ Subscribers of this Research Report are requested to take independent professional advice before investing, however the same shall have no bearing whatsoever on the specific recommendations made by the analysts, as the recommendations made by the analysts are completely independent views of the Associates of SMIFS even though there might exist an inherent conflict of interest in some of the stocks mentioned in the Research Report.

The information provided herein should not be construed as invitation or solicitation to do business with SMIFS.

SMIFS or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the Research Report as of the last day of the month preceding the publication of the Research Report.

SMIFS encourages independence in Research Report preparation and strives to minimize conflict in preparation of Research Report. Accordingly, neither SMIFS and their Associates nor the Research Analysts and their relatives have any material conflict of interest at the time of publication of this Research Report or at the time of the Public Appearance, if any.

DISCLAIMER

SMIFS or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

SMIFS or its associates might have received any compensation from the companies mentioned in the Research Report during the period preceding twelve months from the date of this Research Report for services in respect of managing or co-managing public offerings, corporate finance, investment banking, brokerage services or other advisory service in a merger or specific transaction from the subject company.

SMIFS or its associates might have received any compensation for products or services other than investment banking or brokerage services from the subject companies mentioned in the Research Report in the past twelve months.

SMIFS or its associates or its Research Analysts did not receive any compensation or other benefits whatsoever from the subject companies mentioned in the Research Report or third party in connection with preparation of the Research Report.

Compensation of Research Analysts is not based on any specific Investment Banking or Brokerage Service Transactions.

The Research Analysts might have served as an officer, director or employee of the subject company.

SMIFS and its Associates, Officers, Directors, Employees, Research Analysts including their relatives worldwide may have been engaged in market making activity for the companies mentioned in the Research Report.

SMIFS may have issued other Research Reports that are inconsistent with and reach different conclusion from the information presented in this Research Report.

A graph of daily closing prices of the securities/commodities is also available at www.nseindia.com and/or www.bseindia.com, www.mcxindia.com and/or www.icex.com.

SMIFS submit' s that no material disciplinary action has been taken on the Company by any Regulatory Authority impacting Equity Research Analysis activities in last 3 years.

This Research Report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SMIFS and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Specific Disclosures

- SMIFS, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- SMIFS, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company.
- SMIFS, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months.
- SMIFS, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report.
- Research Analyst has not served as director/officer/employee in the subject company
- SMIFS has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months.
- SMIFS has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- SMIFS has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months.
- SMIFS has not received any compensation or other benefits from third party in connection with the research report.
- SMIFS has not engaged in market making activity for the subject company

Analyst holding in stock: **NO**

Key to SMIFS Investment Rankings

Buy: Return >15%, Accumulate: Return between 5% to 15%, Reduce: Return between -5% to +5%, Sell: Return < -5%

Contact us:

SMIFS Limited. (<https://www.smifs.com/>)

Compliance Officer:

Sudipto Datta,

Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Contact No.: +91 33 4011 5401 /91 33 6634 5401

Email Id.: compliance@smifs.com