DIWALI
PICKS 2022

SMIFS LIMITED
5F, Vaibhav, 4 Lee Road, Kolkata 700020, India
www.smifs.com

Dear Investors,

Wishing You a Very Happy Diwali and Prosperous SAMVAT 2078 & beyond !!!

As we ratchet through the uncertainties brought in by the global QT(tightening), which is not cute by any standards, we are seeing an abnormal movement in currencies across the globe, the dollar has strengthened very substantially over the last few months, while we do expect that this anomaly in dollar prices is around its top and gradually we should start seeing some reversal in this trend. While uncertainties regarding the interest rate cycle and inflation continue to hog limelights we believe the expectation that central banks will go so overboard to curb inflation, that they will kill economic growth is a far-fetched idea, with very low probability. Geopolitical tensions across the globe are another point of worry that have the capability to derail global economic growth for a sustained period of time.

That's enough of the negative news - we believe that most developed economies will have to fight their way out of this debt overhang with decent growth in their economies which has to come from a growing CapEx cycle hence we expect CapEx cycle to be bullish across the developed world as well as in India over the next three to five years. With oil and gas prices gradually coming down - India might be in a sweet spot covering up most of the lost ground as the trade deficit substantially eases over the next three to six months. Most of the raw material prices have also shown an easing trend and we expect this to catch further traction over the next two to 3-4 quarters, which would also help central banks' ease their tone and or stand on inflation and the rate hike cycle.

India is placed in a sweet spot, within this global rout, while short term headwinds, emanating from geopolitical events or the FED going overboard, are issues that might derail equity markets in the short term, the long-term trajectory seems firmly placed for the country, to login continuous growth over the next decade gaining on the demographic advantage and reinforced focus on atmanirbharta, with a rising middleclass propelling the country to a higher orbit. India is expected to become a $5 trillion economy by 2026-27 and $10 trillion by 2033-34. This means that if the Indian economy would grow as expected to $10 trillion by 2034, the total stock market capitalisation should also grow approximately to $8 trillion, i.e. over 2.5x from current levels. We remain optimistic about the prospects of the Indian economy and the equity markets, with minor corrections here and there, and recommend to stay invested.

Happy Investing..!!!

Diwali Muhurat Picks 2022 - Samvat 2079

Company name	CMP (Rs)	Target Price (Rs)	Upside	Recommendation
Balaji Amines Ltd	3023	4475	48%	BUY
Dynamatic Technologies Ltd.	2304	3300	43%	BUY
KEC International Ltd	428	630	47%	BUY
Krishna Institute Of Medical Sciencs Ltd.	1449	2000	38%	BUY
Muthoot Finance Ltd	1022	1636	60%	BUY
Poly Medicure Ltd	943	1250	33%	BUY

Diwali Muhurat Picks 2021 - Samvat 2078 Performance

Company name	REC Price (29-10-2021)	Target Price (INR)	CMP (INR)*	52 Week High	52 Week Low	Status
Aarti Drugs Ltd	585	849	460	608	378	Open
Aurobindo Pharma Ltd	693	971	520	742	494	Open
Indus Towers Ltd	272	393	189	307	181	Open
ITC Ltd	223	340	332	350	207	Close
Nitin Spinners Ltd	228	364	207	345	182	Open
TVS Motor Company Ltd	662	757	1075	1107	513	Close

* Price as on 17-10-2022

Changes during Samvat 2078 (Between 04-November-2021 to 18-October-2022)

Name	Measure	04 November 2021	18 October 2022	% Change
Sensex	Index	60068	58961	-2%
Nifty	Index	17917	17487	-2%
NSE MCAP	Index	31443	30908	-2%
NSE SCAP	Index	9634	11040	15%
Nifty P/E	Value	26.25	21.96	-16%
Gold	Mcx 10G (INR)	47257	50142	6%
INR/USD	Currency	74.5	82.4	11%
10Y Govt Bond (India)	Yield	6.4	7.4	17%
Repo Rate	%	4.0	5.9	48%
Brent	USD/ Barrel	73.7	92.1	25%
India Foreign Exchange Reserve	USD	640	533	-17%

BALAJI AMINES LTD

Sector: Chemicals

SMIFS LIMITED

LEGACY | TRUST | GROWTH

Brief Overview

CMP (INR)	3022.85
Target (INR)	4475
Upside(%)	48
Recommendation	**BUY**

BSE Code	530999
NSE Code	BALAMINES
Reuters Ticker	BAMN.NS
Bloomberg Ticker	BLA IN

Stock Scan

Market cap (Rs mn.)	98029
Outstanding Shares(mn.)	32.4
Face Value (Rs)	2.0
Dividend Yield(%)	0.2
TTM P/E (x)	24.5
Industry P/E (x)	36.2
Debt/Equity	0.1
Beta	1.2
52 Week High/Low(Rs)	4589/2693
Avg. Vol.(NSE)/1yr(000)	107.4

Shareholding Pattern (%)

	Sep-2022
Promoters	53.7
Institutions	4.7
Non-institutions	41.6

Investment Rationale

BAL is the largest manufacturer of aliphatic amines and their derivatives in the country. The industry structure is oligopolistic, in line with the global industry structure, with only few manufacturers catering to the demand in a particular region. As BAL is the sole producer for a few speciality chemicals, it is insulated from the existing competition in the market. The company uses indigenous technology to manufacture amines, leading to lower manufacturing costs.

BAL manufactures amines (methyl amines and ethyl amines) and their derivatives, speciality chemicals and pharma. The company's end-product selection policy is based on import substitution. BAL derives over 50% of its revenue from the pharma sector and about 25% from agro industries. Some of its other end-user industries include dyes and textiles, water treatment chemicals, paints and resins, animal industries, and oil and gas.

BAL has been incurring capex since FY18 to add new products to its portfolio and expand the capacities of its existing products. During the current phase - the capacities of the methyl amines and dimethylformamide (DMF) plants would be enhanced at a capex of about INR 2,000million, which would be incurred over FY23-FY24 and funded primarily through internal accruals. A new acetonitrile plant of capacity of 50 tonnes per day would be commissioned during FY23 at a capex of INR 700 million-800 million. BAL is expected to incur capex of over INR 4,500 million over FY22-FY24, ramp-up in new capacity additions and subsidiary operations would drive revenue growth in the medium term.

Company Overview

Established in 1988, BAL is one of India's leading manufacturers of aliphatic amines and its derivatives, speciality chemicals and pharma excipients. As of March 2021, the company operates manufacturing plants with an aggregate capacity of about 207,400 metric tonnes per annum. BAL's subsidiary, BSCPL, manufactures specialty chemicals such as ethylene diamine (37,350 tonnes per annum (tpa)) and its by-products piperazine (about 4,050tpa) and diethyleneteramine (about 3,150tpa).

Outlook & Valuation

In total, the company is going to add ~1,23,000 TPA of capacity till 2023. Capacity growth of 66% on the standalone level. At peak utilization, BAL can generate ~950 Cr of revenues from the new expansion. A dominant position within the industry coupled with capex that will aid margin growth alongwith volume growth leading will lead to topline and bottomline CAGR of ~ 20% & 25% respectively over FY22-FY24. We recommend a Buy with target of INR 4475 implying a discount of 25x on FY24E earning.

Financial Performance at a glance

Particulars (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Net Sales	9357.7	13114.6	23203.5	27220.0	33150.0
Growth (%)	-0.8	40.1	76.9	17.3	21.8
EBIDTA (ExOI)	1774.8	3679.4	6194.1	6612.1	7814.9
EBIDTA Margin (%)	19.0	28.1	26.7	24.3	23.6
Profit After Tax	974.7	2435.0	4179.0	4597.0	5799.8
PAT Margin (%)	10.4	18.6	18.0	16.9	17.5
EPS (INR)	32.3	73.5	113.7	141.9	179.0
BVPS	203.0	275.9	385.7	527.6	706.6
Adj P/E(x)	7.8	24.0	25.5	21.3	16.9
P/BV (x)	1.2	6.4	7.5	5.7	4.3

Source: Company Data, SMIFS Research, Ace Equity, Bloomberg

DYNAMATIC TECHNOLOGIES LTD.

Sector: Engineering

SMIFS LIMITED
LEGACY | TRUST | GROWTH

Brief Overview

CMP (INR)	2304.05
Target (INR)	3300.00
Upside(%)	43.23
Recommendation	**BUY**

BSE Code	505242
NSE Code	DYNAMATECH
Reuters Ticker	DYNM.NS
Bloomberg Ticker	DYTC IN

Stock Scan

Market cap (Rs mn.)	14618
Outstanding Shares(mn.)	6.3
Face Value (Rs)	10.0
Dividend Yield(%)	0.0
TTM P/E (x)	69.4
Industry P/E (x)	44.5
Debt/Equity	1.4
Beta	1.1
52 Week High/Low(Rs)	2883/1679
Avg. Vol.(NSE)/1yr(000)	11.4

Shareholding Pattern (%)

	Sep-2022
Promoters	44.8
Institutions	17.9
Non-institutions	37.3

Investment Rationale

DTL is now expanding the 60,000 sqft facility - manufacturing plant adjacent to the Bangalore International Airport - and will have 240,000 sqft available by the end of this year. Over the next decade plan is to add another 1 million sqft to this facility, catering exclusively to new orders.

DTL is one of the world's largest manufacturers of hydraulic gear pumps and automotive turbochargers. The co. has ~75% in the Indian OEM tractor market and about 35% in the global tractor market. **Hydraulics (34%):** Agricultural tractors, Harvesters, Off-highway vehicles, Mining equipment, etc. **Automotive and Metallurgy (37%):** Engine, Transmission, brake systems, chassis, steering, etc **Aerospace and Defence (29%):** Flight Critical Airframe structures and High Precision Class part 1 system, Unmanned Aerial, Unmanned and manned ground ISR platforms for military and paramilitary.

Under the Aerospace segment, the co. caters to major OEMs like Bharath Electronics (BEL) and Hindustan Aeronautics (HAL). Major corporations like Audi, BMW, Volkswagen, Rotax, Daimler, etc are their clients under the Metallurgy segment. This company has recently won orders from Indian PSU (under AtmaNirbhar Bharat) and is focused on developing capabilities in large aero-structural assemblies, composites, and high-precision aero structuring designs and manufacturing.

Dynamatic is the first company in India to be chosen for manufacturing F15-EX II Structural Assemblies by Boeing Defense, facilitating collaborative US-India aerospace industrialization. Dynamatic recently won the contract to manufacture Escape Hatch Doors for Airbus A220 aircraft. This contract marks a milestone in Airbus' Indian supply chain, and extends Dynamatic's capabilities for manufacturing fuselage aerostructures to Airbus beyond wing movables.

Company Overview

Incorporated in 1973, DTL is into manufacturing of hydraulic gear pumps and automotive turbochargers. They serve clients across Aerospace, automotive and hydraulic industries. DTL has manufacturing facilities in Europe and India serving customers across 6 continents.

Outlook & Valuation

With Autos, Tractors and aerospace and defence industries expected to clock healthy growth rates and the company winning new orders in the defense and aerospace division we expect the company to post very healthy growth over the next 2-3 years. Further as the debt overhang has reduced with sale of non-core assets and the expanded capacities start contributing to revenue growth, we expect the company to clock revenue CAGR of ~ 20% and FY24E EPS to be ~ 110. We recommend a buy on the company with a target of INR 3300 implying a p/e of 30X on FY24E earnings.

Financial Performance at a glance

Particulars (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Net Sales	13600.0	11182.0	12533.7	14927.0	17912.0
Growth (%)	-13.9	-17.8	12.1	19.1	20.0
EBIDTA (ExOI)	1591.9	1511.9	1720.7	1498.0	2278.6
EBIDTA Margin (%)	11.7	13.5	13.7	10.0	12.7
Profit After Tax	390.6	19.8	320.6	429.5	695.3
PAT Margin (%)	2.9	0.2	2.6	2.9	3.9
EPS (INR)	61.6	-34.5	24.4	67.7	109.6
BVPS	588.5	581.6	601.6	669.3	779.0
Adj P/E(x)	7.9	0.0	87.5	34.0	21.0
P/BV (x)	0.8	1.6	3.6	3.4	3.0

Source: Company Data, SMIFS Research, Ace Equity, Bloomberg

KEC INTERNATIONAL LTD

Sector: Power

SMIFS LIMITED
LEGACY | TRUST | GROWTH

Brief Overview

CMP (INR)	428.25
Target (INR)	630.00
Upside(%)	47.11
Recommendation	**BUY**

BSE Code	532714
NSE Code	KEC
Reuters Ticker	KECL.NS
Bloomberg Ticker	KECI IN

Stock Scan

Market cap (Rs mn.)	109777
Outstanding Shares(mn.)	257.1
Face Value (Rs)	2.0
Dividend Yield(%)	0.9
TTM P/E (x)	34.5
Industry P/E (x)	26.3
Debt/Equity	0.8
Beta	0.6
52 Week High/Low(Rs)	550/346
Avg. Vol.(NSE)/1yr(000)	496.8

Shareholding Pattern (%)

	Sep-2022
Promoters	51.9
Institutions	38.6
Non-institutions	9.5

Investment Rationale

Robust and diversified order book position -As of June 30, 2022, KEC's order book position was at 23,720 crore, providing revenue visibility for about the following two years. Additionally, as of June 30, 2022, the business has L1 orders worth Rs. 6,300 crore. In FY22, the business added orders of about Rs. 18,000 crore. KEC is present in both the local and foreign markets, with close to 66% of its orders coming from India and the remaining orders coming from Saudi Arabia, Bangladesh, Oman, the United Arab Emirates, Georgia, etc. The corporation does not obtain projects from the individual governments directly on the global market; instead, all contracts are supported by the presence of multilateral finance organizations.

In the T&D EPC business, the company has ~15% market share in India and ~20% market share in SAARC that consists of Afghanistan, Bangladesh, Bhutan, India, Nepal, Maldives, Pakistan and Sri Lanka. Presently, the segment contributes ~ 56% of total order book of the company.

Company's non-T&D EPC business primarily comprises of business in railways and civil sector. Railways sector is one of the major growth drivers of the company and it has grown revenues from 210 crores in FY17 to ~3,400 crores in FY21 at a CAGR of ~75%. Presently, the company is executing ~50 railway projects across India.

In 2020, the company acquired an automated transmission tower manufacturing capacity with a capacity of 50,000 TPA in mainland Dubai in an auction sale. This will help the company to secure additional business in the MENA (Middle east & North Africa) region on account of local price preferences/ fiscal benefits.

Company Overview

A member of the RPG group - KEC dominates the worldwide EPC market for power T&D systems. Additionally, it has expanded into the construction of railway infrastructure, the production of cables (for power, telecom, solar, and railways), and civil engineering with a focus on the development of industrial facilities, warehouses, residential, and commercial complexes, as well as Smart Infrastructure and renewable energy (solar) projects. With eight production sites scattered across India (five of them), plus one each in the United Arab Emirates, Brazil, and Mexico, the company's operations are highly dispersed around the world. With a production capacity of 3,62,200 MTPA for towers, 48,000 MTPA for railroad structures, and 12,000 MTPA for solar structures, the firm is among the largest in the world.

Outlook & Valuation

We expect the railways and the T&D segments to continue growing at healthy pace over the next few years given the Governments' focus on enhanced spending on railways and T&D spend. KEC with a strong order book and pipeline is aptly paced to register very strong growth. We expect the companys' topline and bottomline to register a CAGR of ~ 15% and 50% respectively over FY22-Fy24E. We recommend a buy on the stock with target of INR 630 implying a p/e multiple of 20x on FY24E earnings.

Financial Performance at a glance

Particulars (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Net Sales	119653.7	131142.0	137422.6	159040.0	180460.0
Growth (%)	8.6	9.6	4.8	15.7	13.5
EBIDTA (ExOI)	12085.8	12185.8	9213.3	10520.0	13862.2
EBIDTA Margin (%)	10.1	9.3	6.7	6.6	7.7
Profit After Tax	5655.2	5527.2	3320.8	4627.5	7969.7
PAT Margin (%)	4.7	4.2	2.4	2.9	4.4
EPS (INR)	22.0	21.5	12.9	18.0	31.0
BVPS	108.8	130.7	140.8	158.8	189.8
Adj P/E(x)	8.4	19.1	29.4	23.8	13.8
P/BV (x)	1.7	3.1	2.7	2.7	2.3

Source: Company Data, SMIFS Research, Ace Equity, Bloomberg

KRISHNA INSTITUTE OF MEDICAL SCIENCS LTD.

Sector: Hospital & Healthcare Services

SMIFS LIMITED
LEGACY | TRUST | GROWTH

Brief Overview

CMP (INR)	1448.95
Target (INR)	2000.00
Upside(%)	38.03
Recommendation	BUY

BSE Code	543308
NSE Code	KIMS
Reuters Ticker	KRII.NS
Bloomberg Ticker	KIMS IN

Stock Scan

Market cap (Rs mn.)	116180
Outstanding Shares(mn.)	80.0
Face Value (Rs)	10.0
Dividend Yield(%)	0.0
TTM P/E (x)	37.0
Industry P/E (x)	64.8
Debt/Equity	0.1
Beta	0.5
52 Week High/Low(Rs)	1574/1000
Avg. Vol.(NSE)/1yr(000)	155.5

Shareholding Pattern (%)

	Sep-2022
Promoters	38.8
Institutions	31.1
Non-institutions	30.0

Investment Rationale

The firm has a well-established position in the South Indian market thanks to its network of nine hospitals operating under the "KIMS Hospital" name. The organization also benefits from the strong brand recognition and the substantial expertise of the group's promoters in the healthcare business. The group has a lengthy operating track record of 16 years in the tertiary and quaternary healthcare divisions. Cardiovascular therapies generate the biggest percentage of sales (20%), followed by neurosciences (16%), and renal sciences (11%). Oncology, mother and child, gastric sciences, orthopedics, and other fields make up the remainder.

Despite ongoing capacity growth, notably through acquisitions, the firm has generated above average operational profitability (28.5% in fiscal 2021). The firm has been able to recruit talent in Tier II areas, maintain low attrition rates, and exercise strict cost management thanks to its approach of offering ownership participation to its top doctors. These elements, together with judicious capital investment, have enabled KIMS to quickly break even at younger hospitals and turn around acquired institutions, resulting in strong operational capabilities. Although there have been organic expansions and strategic acquisitions that have added beds, occupancy levels have increased from 63% in fiscal 2015 to 73% in fiscal 2021. Additionally, ARPOBD increased over this time from Rs 16775 to Rs 20,609.

Further it is expanding capacity by 500 beds in Kondapur with Capex of 300 Cr, 50 beds in Vizag with Capex of 20 Cr, 150 beds in Anantapur with Capex of 50 Cr, 325 beds in Nashik with Capex of 250 Cr. Also it has plans to add around 1000 beds in different geographies with a capex of around 1000 Cr. All these beds are expected to go live by 2023 to 2025.

Company Overview

In Andhra Pradesh and Telengana, KIMS runs a network of multispecialty hospitals with an emphasis on tertiary and quaternary care. A hospital in Secunderabad with 300 beds served as its starting point in 2004. As one of India's top multidisciplinary integrated private healthcare service providers today, KIMS offers comprehensive healthcare across specialties and superspecialties. There are 1,000 beds available at the Group's flagship hospital in Secunderabad. With a total bed capacity of 3,064 and a well-established presence in the southern region of India, KIMS is a medical center that is dispersed among eight cities in the states of Andhra Pradesh and Telangana.

Outlook & Valuation

Over the next 3 years the bed capacity is slated to go up by ~66% and into newer geographies beyond south India. The successful rampup of the capacities done by the hospital alongwith a differentiated model leading to lower attritions in an industry jostling for manpower strengthens belief in fast and efficient rampup of the newer capacities as well. We expect the company to post topline and bottomline growth of 20% and 8% respectively over FY22-24E and recommend a buy on the stock with target of INR 2000 implying 40X FY24E earnings.

Financial Performance at a glance

Particulars (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Net Sales	11226.5	13299.4	16508.3	22100.0	24690.0
Growth (%)	22.3	18.5	24.1	33.9	11.7
EBIDTA (ExOI)	2494.9	3757.2	5216.3	5154.6	5714.8
EBIDTA Margin (%)	22.2	28.3	31.6	23.3	23.1
Profit After Tax	1150.7	2054.8	3342.9	3281.1	3841.3
PAT Margin (%)	10.3	15.5	20.2	14.8	15.6
EPS (INR)	16.0	25.9	41.6	41.0	48.0
BVPS	80.3	111.3	173.4	214.4	262.4
Adj P/E(x)	0.0	0.0	33.2	35.3	30.2
P/BV (x)	0.0	0.0	8.0	6.8	5.5

Source: Company Data, SMIFS Research, Ace Equity, Bloomberg

MUTHOOT FINANCE LTD

Sector: NBFC

SMIFS LIMITED
LEGACY | TRUST | GROWTH

Brief Overview

CMP (INR)	1022.15
Target (INR)	1636.00
Upside(%)	60.05
Recommendation	**BUY**

BSE Code	533398
NSE Code	MUTHOOTFIN
Reuters Ticker	MUTT.NS
Bloomberg Ticker	MUTH IN

Stock Scan

Market cap (Rs mn.)	411573
Outstanding Shares(mn.)	401.4
Face Value (Rs)	10.0
Dividend Yield(%)	1.9
TTM P/E (x)	10.7
Industry P/E (x)	30.0
Debt/Equity	2.9
Beta	0.8
52 Week High/Low(Rs)	1722/950
Avg. Daily Vol.(NSE)/1yr	928.2

Shareholding Pattern (%)

	Sep-2022
Promoters	73.4
Institutions	21.4
Non-institutions	5.2

Investment Rationale

The company's earnings profile has remained healthy over the years, and has improved further in the last 2-3 fiscals. Muthoot Finance reported a consolidated return on managed assets (RoMA) of 5.6% (annualized) for fiscal 2022, which is the best among lending entities such as banks and NBFCs. This superior earnings profile is supported by high interest margins and, low operating and credit costs. The company has maintained strong capital position while ramping up operations over the years. As on June 30, 2022, its reported networth was Rs 18,801 crore (consolidated), tier I capital adequacy ratio was adequate at 29.7% (standalone) and gearing low at 2.7 times (consolidated).

In terms of standalone funding, while a larger proportion of borrowing has been sourced as funding lines from banks and financial institutions (51%), the company's resource profile remained diversified across avenues such as non-convertible debentures and subordinated debt (28%), commercial paper (nil), external commercial borrowing (17%) and other sources (3%) as on June 30, 2022.

Historically, the company's operating efficiency – indicated by average gold loan AUM per branch – has been higher than that of peers. As at the end of June 30, 2022, the average AUM per branch stood at Rs 12.6 crore, almost double of that for fiscal 2013. Muthoot Finance's extensive branch network and client base, which is relatively more diverse in terms of geographies and is gradually improving further, should support the further strengthening of its competitive position over the medium term.

Stage III assets, which have remained below 3% on a steady state basis in the past, increased to 3.8% as on December 31, 2021 due to the overhang of pandemic imposed challenges. However, ultimate credit costs have remained within 1% on account of low asset-side risk (security of gold, which is liquid and is in the lender's possession) in the gold finance business.

Company Overview

Muthoot Finance, an NBFC, was originally set up as a private limited company in 1997 and was reconstituted as a public limited company in November 2008. Muthoot is the largest gold loan NBFC in India in terms of loan portfolio. The company's branch network was the largest among gold loan NBFCs in India. Their Gold Loan portfolio as of June 30, 2022 comprised approximately 8.09 million loan accounts in India, serviced through 4,617 branches across 22 states.

Outlook & Valuation

Aggression from banks and gold loan fintechs is expected to ebb. All the teaser interest rated loans were stopped in March'22 and have been migrated to higher rates as on 30th June'22 and the company expects to see higher yield from Q2FY23 onwards. The company has received approval from RBI for opening 150 new branches and has added around 3.14 lakhs new customer in Q1FY23. AUM to grow by at least 10% for FY23. The gold loan industry has in the past experienced around 1-2 years of lull in every cycle, only to return stronger in the aftermath and we expect the same this time as well. We expect the interest income and profitability to return to normalcy over the next 2 years leading to sharp rerating for the company. We recommend a BUY with target of INR 1,636 implying a p/b of 2.5x in FY24E book value.

Financial Performance at a glance

Particulars (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Interest Income	96874.5	115345.6	121849.1	146218.9	163765.2
Growth (%)	27.6	19.1	5.6	20.0	12.0
Net Interest	65076.2	74256.7	79173.3	85173.3	93173.3
Growth (%)	28.8	14.1	6.6	7.6	9.4
Other Income	1584.0	2458.0	1424.0	1487.0	2111.0
PAT	31686.8	38188.7	40313.2	42630.0	44740.3
EPS (INR)	78.3	94.8	100.1	106.2	111.5
BVPS	294.6	388.0	467.9	549.1	635.6
Adj P/E(x)	7.8	12.7	13.3	9.6	9.2
P/BV (x)	2.1	3.1	2.8	1.9	1.6
ROA (%)	6.6	6.2	5.6	5.7	6.4

Source: Company Data, SMIFS Research, Ace Equity, Bloomberg

POLY MEDICURE LTD.

Sector: Hospital & Healthcare Services

SMIFS LIMITED
LEGACY | TRUST | GROWTH

Brief Overview

CMP (INR)	943.20
Target (INR)	1250.00
Upside(%)	32.53
Recommendation	BUY

BSE Code	531768
NSE Code	POLYMED
Reuters Ticker	PLMD.NS
Bloomberg Ticker	PLM IN

Stock Scan

Market cap (Rs mn.)	90096
Outstanding Shares(mn.)	95.9
Face Value (Rs)	5.0
Dividend Yield(%)	0.3
TTM P/E (x)	66.3
Industry P/E (x)	61.4
Debt/Equity	0.1
Beta	0.3
52 Week High/Low(Rs)	1078/651
Avg. Daily Vol.(NSE)/1yr	77.7

Shareholding Pattern (%)

	Sep-2022
Promoters	53.3
Institutions	18.8
Non-institutions	27.8

Investment Rationale

In-house tool design and research and development (R&D) capabilities, as well as a labor cost advantage over rivals globally, are the main drivers of strong operational efficiency. Over the long term, an operating margin of roughly 25% is anticipated, backed by actions to reduce costs, modernize existing facilities, and operate at a comfortable capacity utilization.

PLI- Polymed got approval under Renal Care Segment for some products. Greenfield projects defined under the guidelines to be operational at IMT Plant. Committed Investment of 70 Crs under the scheme from FY 2022-28. Polymed got approval under In Vitro Diagnostic Medical devices. Committed Investment of 50 Crs under the scheme from FY 2022-28. 300 crs capex plan over the FY22-FY23.

The company has a pan-India distribution network with over 260 distributors. It has reach to over 5,000 private and government hospitals and nursing homes across India. The company exports its products to over 110 countries. It earns ~30% of revenues through domestic sales and the rest 70% through exports. It derives major growth in exports from European Subcontinent.

Company Overview

PolyMed produces disposable medical products such IV cannulas, blood bags, blood collection tubes, and infusion and transfusion sets. PMLCL began conducting business in April 2009. With the El-Agar group, PolyMed also has a joint venture called Ultra For Medical Products Co, Egypt, which primarily serves the African and international markets. In the 2019 fiscal year, PolyMed also purchased Plan1Health SRL, an Italian firm that primarily produces essential medical equipment and cancer-related gadgets and is a 100% subsidiary of Poly Medicure B.V. in the Netherlands. Five manufacturing sites are now operated by the firm in India, three of which are located in Faridabad, Haryana, one in each of Jaipur,

Outlook & Valuation

The group is expected to double its revenue in next 5 fiscals reflecting a very strong market positioning not only domestically, which contributes around 35% of total revenue, but also internationally. With strong operating profitability of around 25% being maintained. We expect the company to clock a CAGR of ~20% and 26% in topline and bottomline over FY22-24E. We recommend a buy with a target of INR 1250 implying a multiple of 50x FY24E earnings.

Financial Performance at a glance

Particulars (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Net Sales	6872.4	7864.7	9230.6	10910.0	13310.0
Growth (%)	12.5	14.4	17.4	18.2	22.0
EBIDTA (ExOI)	1661.2	2164.9	2150.1	2411.6	2987.1
EBIDTA Margin (%)	24.2	27.5	23.3	22.1	22.4
Profit After Tax	937.4	1358.7	1465.1	1726.5	2302.0
PAT Margin (%)	13.6	17.3	15.9	15.8	17.3
EPS (INR)	10.9	14.2	15.3	18.0	24.0
BVPS	49.3	100.6	113.2	131.2	155.2
Adj P/E(x)	21.7	57.7	62.1	52.4	39.3
P/BV (x)	4.8	8.1	8.4	9.5	8.1

Source: Company Data, SMIFS Research, Ace Equity, Bloomberg

Analyst Certification:

We /I, Sharad Avasthi VP-PCG 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 may 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 independednt 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.

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