

Week Gone

- ⇒ The benchmark indices logged strong losses in the week ended Friday, 21 January 2022 on selling pressure in index pivots. The Nifty closed below 17,700 mark while the Sensex ended below 60,000 levels
- ⇒ The BSE Mid-Cap index lost 4.35% to settle at 24,951.67. The BSE Small-cap index declined 3.18% to settle at 29,967.21.
- ⇒ Increasing coronavirus cases, unabated selling by foreign portfolio investors and muted corporate earnings further dampened the sentiment.

Week Ahead

- ⇒ Earnings announcements from India Inc will continue to remain in focus in the truncated trading week ahead
- ⇒ Stock Markets will remain closed on Wednesday , 26 January 2022 on account of Republic Day.
- ⇒ Investment by foreign portfolio investors (FPIs) and domestic institutional investors (DIIs) will also be watched.
- ⇒ The US FOMC meeting is scheduled to begin on January 25 and conclude on January 26 . As per the reports , the federal reserve will begin an aggressive series of rate hikes .

Technical Overview

Index closed with a loss of 3.50% at 17617. Index opened the week on a subdued note and witnessed sharp selloff ending the week near weekly low with deep cuts. Index has formed wide bearish candlestick which suggests caution on an ongoing uptrend. Going ahead index has an immediate support 17450-17200-16980. While on the higher side resistance is placed at 17780-17900-18200.



Source: Falcon, BP Equities Research



Weekly Wealth

DOMESTIC INDICES

Index	22-Jan-22	14-Jan-22	Weekly % Chg
Nifty 50	17,617.2	18,255.8	-3.5
Nifty Next 50	42,182.2	43,551.8	-3.1
Nifty 100	17,856.2	18,485.7	-3.4
Nifty 500	15,180.8	15,730.4	-3.5
NIFTY MIDCAP 100	30,563.6	31,989.7	-4.5
S&P BSE SENSEX	59,037.2	61,223.0	-3.6
S&P BSE 100	17,902.6	18,541.2	-3.4
S&P BSE 200	7,633.8	7,910.3	-3.5
S&P BSE 500	24,115.3	24,984.7	-3.5
S&P BSE MidCap	24,951.7	26,085.2	-4.3
S&P BSE SmallCap	29,967.2	30,951.3	-3.2

WORLD INDICES

Index	22-Jan-22	14-Jan-22	Weekly % Chg
Nikkei Index	27,522.3	28,124.3	-2.1
Hang Seng Index	24,965.6	24,383.3	2.4
Kospi Index	2,834.3	2,921.9	-3.0
Shanghai SE Composite	3,522.6	3,521.3	0.0
Strait Times Index	3,294.9	3,282.0	0.4
Dow Jones	34,564.5	35,782.4	-3.4
NASDAQ	13,970.1	14,778.2	-5.5
FTSE	7,494.1	7,543.0	-0.6

FOREX

Currency	22-Jan-22	14-Jan-22	Weekly % Chg
US\$ (Rs.)	74.3	74.0	0.5
GBP (Rs.)	101.4	101.5	-0.1
Euro (Rs.)	84.3	84.8	-0.6
Yen (Rs.) 100 Units	65.2	64.8	0.5

NIFTY TOP GAINERS (WEEKLY)

Scrip	22-Jan-22	14-Jan-22	Weekly % Chg
Hero MotoCorp	2750.1	2569.7	7.0%
Power Grid Corpn.	215.1	207.8	3.5%
ONGC	163.7	161.1	1.6%
Maruti Suzuki	8,189.6	8,084.2	1.3%
Hindalco	506.7	506.4	0.1%

FII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
21-Jan-22	7,564.4	10,713.0	-3,148.6
20-Jan-22	7,974.4	12,654.2	-4,679.8
19-Jan-22	7,690.7	10,395.5	-2,704.8
18-Jan-22	5,409.3	6,664.3	-1,255.0
17-Jan-22	5,792.8	6,648.2	-855.5
<u>MTD</u>	34,431.6	47,075.2	-12,643.6

NIFTY TOP LOSERS (WEEKLY)

Scrip	22-Jan-22	14-Jan-22	Weekly % Chg
HCL Tech.	1168.0	1337.2	-12.7%
Bajaj Finserv	16335.2	18209.7	-10.3%
Zee Entertainment	289.4	322.6	-10.3%
Tech Mahindra	1593.6	1737.8	-8.3%
Infosys	1785.7	1929.4	-7.4%

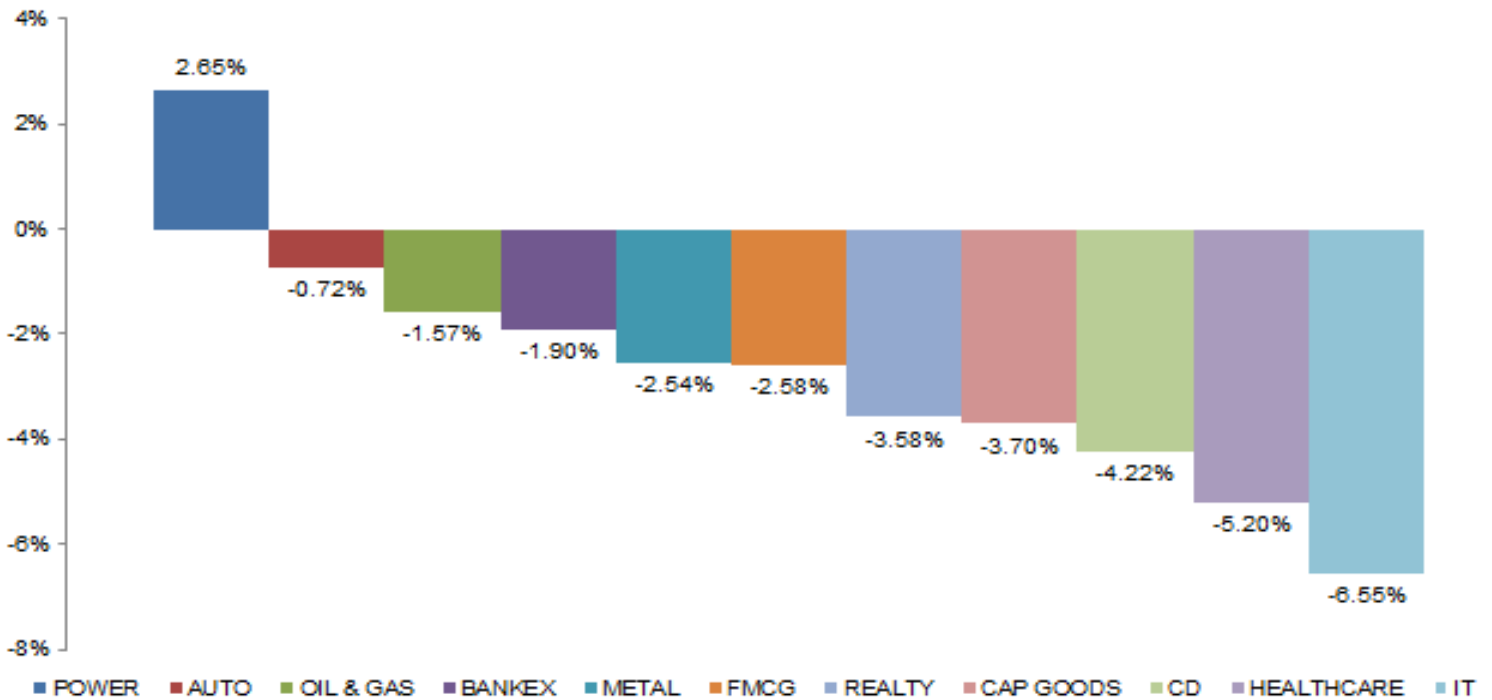
DII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
21-Jan-22	6,930.4	6,661.1	269.4
20-Jan-22	6,385.8	5,616.5	769.3
19-Jan-22	7,241.5	7,436.5	-195.1
18-Jan-22	5,794.8	6,015.0	-220.2
17-Jan-22	5,605.5	5,720.9	-115.3
<u>MTD</u>	31,957.9	31,449.9	508.0

Weekly Wealth

BSE WEEKLY SECTORAL PERFORMANCE



Source: BSE, BP Equities Research

TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	22/01/22	14/01/2	Weekly % Chg	22/01/22	14/01/2	Weekly % Chg
	Share Price (Rs.)			Open Interest		
LALPATHLAB	3634.7	3001.9	-17.4	472125	551125	16.7
ONGC	161.5	163.2	1.1	49549500	56063700	13.1
GMRINFRA	45.5	42.35	-6.9	66420000	73485000	10.6
MOTHERSUMI	186.1	181.9	-2.3	21255500	22865500	7.6
HONAUT	44758.85	43859.5	-2.0	7050	7425	5.3

TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	22/01/22	14/01/2	Weekly % Chg	22/01/22	14/01/2	Weekly % Chg
	Share Price (Rs.)			Open Interest		
ADANI PORTS	783.6	722.9	-7.7	87532500	30191250	-65.5
GRASIM	1862.3	1792.9	-3.7	10576825	5636350	-46.7
GLENMARK	517.5	482.2	-6.8	8616950	4717300	-45.3
MPHASIS	3278.7	3025.6	-7.7	2139025	1200150	-43.9
EXIDEIND	174.3	176.0	1.0	21664800	12643200	-41.6

Pharmaceutical Company

Company Background

Natco Pharma Limited (NATCO) is a vertically integrated, R&D-focused pharmaceutical company that specialises in the development, manufacture and commercialisation of complex pharmaceuticals catering to niche therapeutic areas. They operate in two business segments: pharmaceuticals (for FDF i.e. finished dosage form and API i.e. active pharmaceutical ingredient) and agrochemicals. Its capabilities include multi-step synthesis, semi-synthetic fusion technologies, high-potency APIs and peptides. NATCO is focused on complex generics for US Markets with niche Para IV and Para III filings. They are a well-established player in oncology with brands catering to diseases relating to breast, bone, lung and ovarian cancer.

Investment Rationale

Key player in domestic oncology and Hep C segments

NATCO is a leading player in the domestic oncology segment with ~38 products (FY21). By being an early entrant and with regular product introductions and competitive pricing, NATCO has established a strong presence in the domestic formulations market with a significant market share in the domestic oncology and Hep C segments. Even while the competitive intensity in these segments has been increasing over the last few years, leading to price erosion, NATCO remains one of the market leaders. The company has also forayed into the cardiology & diabetology division (C&D), which is expected to diversify the revenue profile and promote revenue growth in the domestic formulations business over the long term. They target 6-8 product launches in FY22 with over 15% growth.

Focused on complex generics for the US Markets with niche Para IV filings

The company has predominantly focused on complex products with high barriers to entry in the US. The approval and immediate launch of the limited competition and complex generic version of Copaxone (40 mg) in October 2017 and the steady gain in the market share to more than 30% as of now by its marketing partner, Mylan, has supported the company's revenues and margins from the US market. The volume-limited launch of the generic version of Revlimid is expected to contribute to the company's revenues and profits from March 2022 and increase steadily after that every year. The company has a strong pipeline of 19 Para IVs with a few significant launches (some are subject to approval/litigation) in the near to medium term (gPomalyst, gKyprolis, gNexavar and glbruvica, etc). Further, NATCO's strategy of leveraging its limited competition and complex molecule portfolio in newer geographies is expected to support its revenues going forward.

Valuation and Outlook

NATCO's strong position in the domestic formulations segment with its market-leading presence in the oncology and hepatitis C (Hep C) segments, healthy ANDA pipeline make us optimistic about the future. Additionally, it has forayed into the agro-chemical division with chlorantraniliprole (INR 15 bn market size), which could significantly boost its domestic revenues and margins. We expect revenues and margins in the US formulations business to witness a significant scale-up on the back of the launch of gRevlimid in the US in March 2022. On the valuation front, we valued the company based on 25x of its FY23e earnings and arrived at a target price of INR 1,116 (25 % upside from CMP) with a 12 months' investment horizon.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (INR)	897.
Target Price (INR)	1116
NSE Symbol	NATCOPHARM
BSE Code	524816
Bloomberg	NTCPH IN
Reuters	NATP.BO

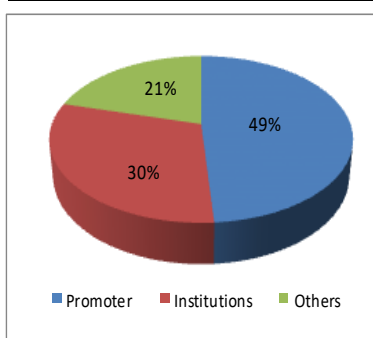
Key Data

Nifty	17,617.15.
52WeekH/L(INR)	1189/771
O/s Shares (Mn)	182.37
Market Cap (INR bn)	163.6
Face Value (INR)	2

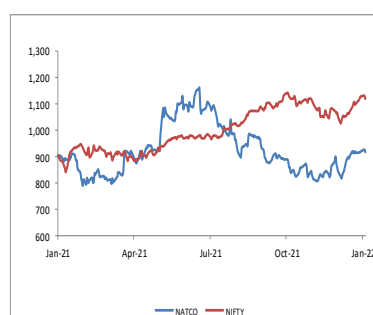
Average volume

3 months	264,985
6 months	272,948
1 year	463,952

Share Holding Pattern (%)



Relative Price Chart



Weekly Wealth

Key Financials

YE March (INR in Mn)	FY19	FY20	FY21	FY22E	FY23E
Revenue	20,945	19,150	20,521	21,403	30,949
<i>Revenue Growth (Y-o-Y)</i>	<i>(4.1%)</i>	<i>(8.6%)</i>	<i>7.2%</i>	<i>4.3%</i>	<i>44.6%</i>
EBIDTA	7,948	5,826	6,062	5,758	10,461
<i>EBIDTA Growth (Y-o-Y)</i>	<i>(14.4%)</i>	<i>(26.7%)</i>	<i>4.1%</i>	<i>(5.0%)</i>	<i>81.7%</i>
Net Profit	6,444	4,608	4,409	4,195	8,140
<i>Net Profit Growth (Y-o-Y)</i>	<i>(7.4%)</i>	<i>(28.5%)</i>	<i>(4.3%)</i>	<i>(4.9%)</i>	<i>94.0%</i>
Diluted EPS	35.3	25.3	24.2	23.0	44.6
<i>Diluted EPS Growth (Y-o-Y)</i>	<i>(7.4%)</i>	<i>(28.5%)</i>	<i>(4.3%)</i>	<i>(4.9%)</i>	<i>94.0%</i>

Key Ratios

EBIDTA margin (%)	37.9%	30.4%	29.5%	26.9%	33.8%
NPM (%)	30.8%	24.1%	21.5%	19.6%	26.3%
RoE (%)	18.5%	12.2%	10.7%	10.5%	19.1%
RoCE (%)	20.5%	14.2%	13.8%	13.7%	23.6%

Valuation Ratios

P/E (x)	25.3x	35.4x	37.0x	38.9x	20.1x
EV/EBITDA	20.7x	28.5x	26.9x	28.1x	15.6x
P/BV (x)	4.7x	4.3x	4.0x	4.1x	3.8x
Market Cap. / Sales (x)	7.8x	8.5x	8.0x	7.6x	5.3x

Source: Company, BP Equities Research



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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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