

Week Gone

- ⇒ In the week ended on Friday, 18 February 2022, the Sensex fell 319.9 points or 0.55% to settle at 57,832.97. The Nifty 50 index decline 240 points 1.37% to settle at 17,276.30.
- ⇒ The BSE Mid-Cap index fell 1.98% to settle at 23,771.95.
- ⇒ The BSE Small-Cap index lost 3.29% to settle at 27,748.30.

Week Ahead

- ⇒ Trend in global stock markets, the movement of rupee against the dollar and crude oil prices will dictate trend on the bourses in the near term.
- ⇒ Investment by foreign portfolio investors (FPIs) and domestic institutional investors (DIIs) will be monitored.
- ⇒ The United States Durable Goods Orders for January will be announced on 25 February 2022.

Technical Overview

Index closed with a loss of 0.57% at 17276. Index opened the week with wide gap down while recovered strongly from the lows to end the week with minor loss. Going ahead index has a strong support at 16800 levels, breakdown below it will accelerate selling pressure to drag index lower till 16600-16400 levels. While immediate support is placed around 17030-16900. On the other hand immediate resistance comes at 17400-17580-17750.



Source: Falcon, BP Equities Research



Weekly Wealth

DOMESTIC INDICES

Index	18-Feb-22	11-Feb-22	Weekly % Chg
Nifty 50	17,276.3	17,374.8	-0.6
Nifty Next 50	40,709.2	41,553.1	-2.0
Nifty 100	17,472.9	17,606.6	-0.8
Nifty 500	14,710.7	14,891.3	-1.2
NIFTY MIDCAP 100	28,934.4	29,729.4	-2.7
S&P BSE SENSEX	57,833.0	58,152.9	-0.6
S&P BSE 100	17,513.1	17,637.7	-0.7
S&P BSE 200	7,443.5	7,513.9	-0.9
S&P BSE 500	23,386.3	23,663.0	-1.2
S&P BSE MidCap	23,772.0	24,250.9	-2.0
S&P BSE SmallCap	27,748.3	28,691.8	-3.3

WORLD INDICES

Index	18-Feb-22	11-Feb-22	Weekly % Chg
Nikkei Index	27,122.1	27,696.1	-2.1
Hang Seng Index	24,327.7	24,906.7	-2.3
Kospi Index	2,744.5	2,747.7	-0.1
Shanghai SE Composite	3,490.8	3,463.0	0.8
Strait Times Index	3,428.9	3,429.0	0.0
Dow Jones	34,079.2	35,244.7	-3.3
NASDAQ	13,548.1	14,106.7	-4.0
FTSE	7,513.6	7,661.0	-1.9

FOREX

Currency	18-Feb-22	11-Feb-22	Weekly % Chg
US\$ (Rs.)	74.6	75.1	-0.7
GBP (Rs.)	101.4	102.4	-1.0
Euro (Rs.)	84.5	86.2	-2.0
Yen (Rs.) 100 Units	64.0	64.0	0.0

NIFTY TOP GAINERS (WEEKLY)

Scrip	18-Feb-22	11-Feb-22	Weekly % Chg
Eicher Motors	2699.3	2598.2	3.9%
TCS	3793.9	3695.0	2.7%
Hindustan Unilever	2312.6	2258.0	2.4%
Hero MotoCorp	2774.1	2718.6	2.0%
Reliance Industries	2424.4	2376.4	2.0%

FII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
18-Feb-22	4,314.5	6,844.4	-2,530.0
17-Feb-22	6,078.4	7,320.5	-1,242.1
16-Feb-22	5,879.1	7,770.0	-1,891.0
15-Feb-22	6,353.6	8,652.4	-2,298.8
14-Feb-22	5,457.8	9,711.5	-4,253.7
<u>MTD</u>	28,083.3	40,298.7	-12,215.5

NIFTY TOP LOSERS (WEEKLY)

Scrip	18-Feb-22	11-Feb-22	Weekly % Chg
Indiabulls Housing	184.5	197.9	-6.7%
Power Grid Corpn.	195.7	207.8	-5.8%
JSW Steel	632.9	671.4	-5.7%
Ultratech Cement	6916.6	7323.6	-5.6%
ICICI Bank	748.9	790.8	-5.3%

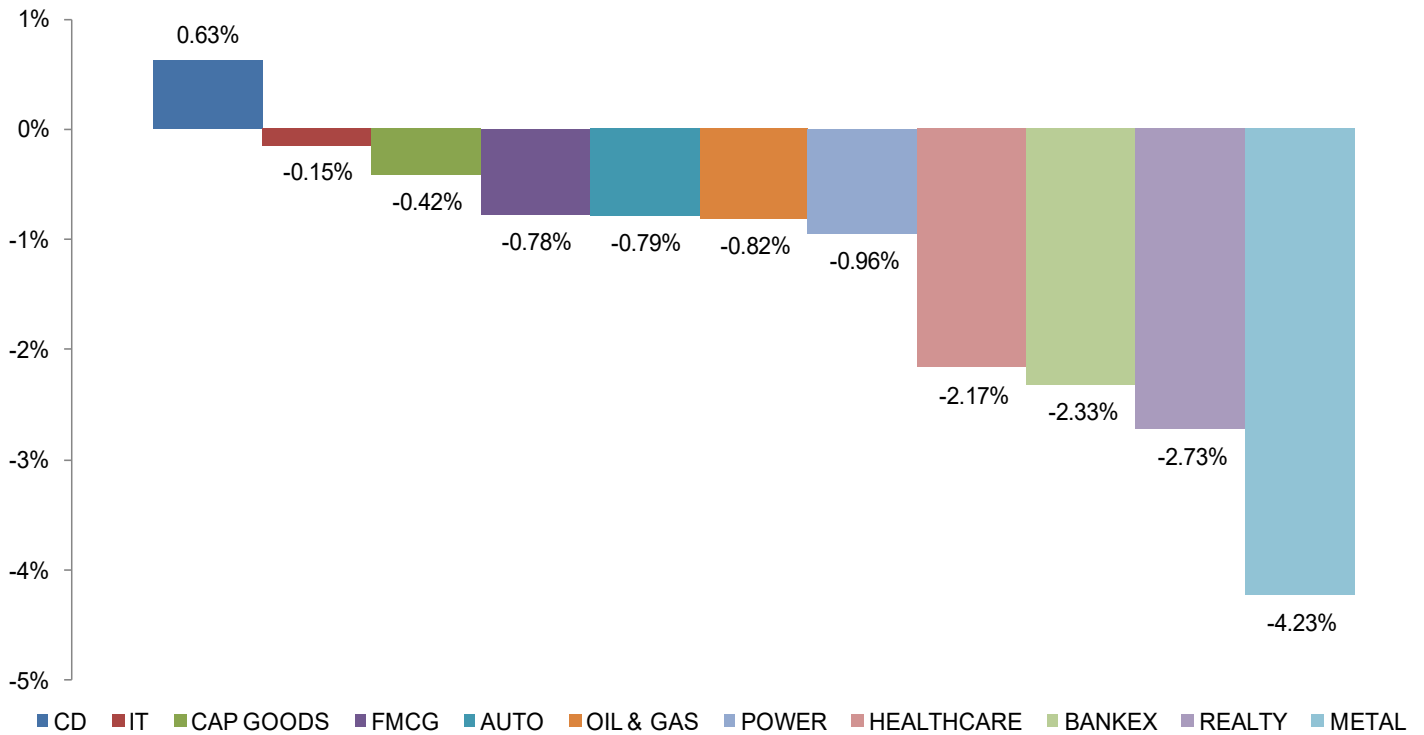
DII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
18-Feb-22	4,992.7	3,063.6	1,929.1
17-Feb-22	4,617.3	3,716.2	901.1
16-Feb-22	5,334.3	4,154.2	1,180.1
15-Feb-22	8,739.2	4,327.6	4,411.6
14-Feb-22	7,698.0	5,527.8	2,170.3
<u>MTD</u>	31,381.5	20,789.3	10,592.2

Weekly Wealth

BSE WEEKLY SECTORAL PERFORMANCE



Source: BSE, BP Equities Research

TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	11/02/22	18/02/22	Weekly % Chg	11/02/22	18/02/22	Weekly % Chg
	Share Price (Rs.)			Open Interest		
METROPOLIS	2332.8	1997.4	-14.4	571200	1051800	84.1
ABB	2177.2	2065.0	-5.2	256250	381000	48.7
CIPLA	960.2	908.8	-5.4	9074650	11788400	29.9
ATUL	9510.5	9228.3	-3.0	82350	101325	23.0
BALKRISIND	2176.3	1960.6	-9.9	1091600	1274800	16.8

TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	11/02/22	18/02/22	Weekly % Chg	11/02/22	18/02/22	Weekly % Chg
	Share Price (Rs.)			Open Interest		
ADANI PORTS	726.2	728.1	0.3	88772500	33167500	-62.6
GRASIM	1710.2	1720.2	0.6	10471375	7102675	-32.2
SUNTV	516.5	484.9	-6.1	12358500	8652000	-30.0
PNB	39.8	37.7	-5.2	266944000	190336000	-28.7
SAIL	101.9	96.8	-5.0	145179000	104666250	-27.9

Company Background

Laurus Labs is a fully integrated pharmaceutical and biotechnology company with a leadership position in generic Active Pharmaceutical Ingredients (APIs) and a significant focus on anti-retroviral, Hepatitis C, and oncology drugs. They also develop and manufacture oral solid formulations, provide contract research and manufacturing services to other global pharma companies, and produce speciality ingredients for nutraceuticals, dietary supplements etc. It is one of the leading suppliers of APIs in the ARV therapeutic area for multinational pharmaceutical companies across different parts of the globe. It has eight manufacturing units (5 FDA approved sites) with 71 DMFs (Drug Master Files), 27 ANDAs filed, and 292 patents filed. Laurus employs 4800+ people, including around 750+ scientists at more than eight facilities approved by major regulatory agencies USFDA, WHO-Geneva, UK-MHRA etc. Their vision is to become a leading player in offering integrated solutions to global pharmaceutical needs in creating a healthier world.

Strong product portfolio along with production expansion on cards

Laurus has a portfolio with more than 60 commercialized APIs with a strong presence in ARV, Oncology, anti-diabetic and Hepatitis C therapeutic segments. Laurus's continued focus on non-ARV APIs and CDMO synthesis is paying off, with a higher contribution and growth of 63% YoY in CDMO, 37% in other APIs and 33% in oncology APIs. The management is anticipating a sharp increase in the CDMO business on the back of multi-year contracts; the company aims to achieve a 25% contribution from this segment (including the biologics business). Their FDF brownfield expansion is nearing completion and is expected to be operational in H1FY23. Management expects full utilization of the ten bn tablet capacity by Q1FY24.

Proven research and development (R&D) capabilities

Laurus Research & Development Centre, spread over 10 acres, is located at Hyderabad. The R&D Centre houses Regulatory Affairs, IP Management, and Quality Assurance. The R&D facility is staffed by over 800 R&D professionals (around 24% of the total employee strength) in over 55 laboratories. The company incurred a total R&D spend of INR.148Cr (4% of Sales) in 9MFY22, up 10% YoY. They plan a greenfield investment to set up a dedicated R&D centre in Hyderabad (FY23) and three manufacturing units in Vizag (FY24/25). Their research-first approach has been critical to their success and a differentiating factor in the industry.

Valuation Outlook

Laurus is evolving as a strong vertically integrated player with solid order book visibility and incremental traction from custom synthesis. Their strong R&D competencies enable them to improve their existing products and make inroads in areas with significant growth potential. Laurus also has robust compliance and continues to strengthen its compliance culture through consistent investments in people, technologies and processes. Their extensive collaboration with pharmaceutical companies and their customer base has been on a rising trend. Laurus is also striving to develop its non-ARV business with heavy investments of INR 15bn to 17bn planned for FY23-FY24 toward expanding existing capacity and adding two greenfield projects. We valued the company based on 25x of its FY24e earnings and arrived at a target price of INR 684(24% 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)	552
Target Price (INR)	684
NSE Symbol	LAURUSLABS
BSE Code	540222
Bloomberg	LAURUS IN
Reuters	LAUL.BO

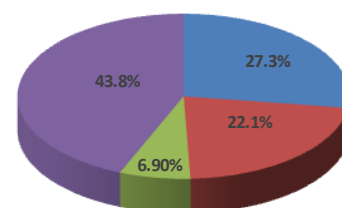
Key Data

Nifty	17,270
52WeekH/L(INR)	723/334
O/s Shares (Mn)	537
Market Cap (INR bn)	296
Face Value (INR)	2

Average volume

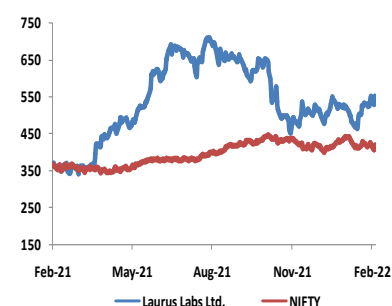
3 months	4,31,120
6 months	4,86,750
1 year	8,45,600

Share Holding Pattern (%)



■ Promoters ■ FII ■ DII ■ Others

Relative Price Chart



Weekly Wealth

Key Financials

YE March (Rs. millions)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Revenue	22,919	28,317	48,135	46,739	60,901	75,761
<i>Revenue Growth (Y-o-Y)</i>	11.5%	23.6%	70.0%	(2.9%)	30.3%	24.4%
EBIDTA	3,560	5,646	15,507	13,695	18,514	23,637
<i>EBIDTA Growth (Y-o-Y)</i>	(13.9%)	58.6%	174.7%	(11.7%)	35.2%	27.7%
Net Profit	938	2,553	9,836	7,899	11,084	14,698
<i>Net Profit Growth (Y-o-Y)</i>	(44.1%)	172.2%	285.3%	(19.7%)	40.3%	32.6%
Diluted EPS	1.7	4.8	18.3	14.7	20.6	27.4
<i>Diluted EPS Growth (Y-o-Y)</i>	(44.1%)	172.2%	285.3%	(19.7%)	40.3%	32.6%

Key Ratios

EBIDTA margin (%)	15.5%	19.9%	32.2%	29.3%	30.4%	31.2%
NPM (%)	4.1%	9.0%	20.4%	16.9%	18.2%	19.4%
RoE (%)	6.0%	14.4%	37.9%	24.1%	25.9%	26.0%
RoCE (%)	13.7%	20.0%	38.3%	29.2%	34.8%	35.7%

Valuation Ratios

P/E (x)	317.5x	116.6x	30.3x	37.7x	26.9x	20.3x
EV/EBITDA	86.5x	54.6x	20.1x	22.7x	16.5x	12.9x
P/BV (x)	19.1x	16.8x	11.5x	9.1x	7.0x	5.3x
Market Cap. / Sales (x)	13.0x	10.5x	6.2x	6.4x	4.9x	3.9x

Source: Company, BP Equities Research



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

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