

Week Gone

- ⇒ In the week ended on Friday, 20 May 2022, the Sensex gained 1,532.77 points or 2.9% to settle at 54,326.39. The Nifty 50 index advanced 484 points or 3.07% to settle at 16,266.15.
- ⇒ The BSE Mid-Cap index rose 691.19 points or 3.17% to settle at 22,506.85.
- ⇒ The BSE Small-Cap index rose 1035.54 points or 4.09% to settle at 26,351.29.

Week Ahead

- ⇒ Markets will be influenced by consumers surrounding monetary tightening, China's Covid lockdowns and Russia's war in Ukraine.
- ⇒ Investors will track fund flows from foreign portfolio investoes (FPIs) and domestic institutional investors (DIIs).
- ⇒ Trend in global stock markets, the movement of rupee against the dollar and crude oil prices will also dictate trend on the bourses in the near term.

Technical Overview

Nifty opened with a gap-up and remained highly volatile throughout the week. It closed the week with 2.9% weekly gains on a tepid note. The Friday's trading session resulted in the head index closing above its previous weekly close. Going ahead Nifty has a crucial support at 15670 and sustenance above the same will bolster the price action to surge towards the resistance placed at 16550 and 16780. The support comes at 15670 and 15350.



Source: Falcon, BP Equities Research



Weekly Wealth

DOMESTIC INDICES

Index	20-May-22	13-May-22	Weekly % Chg
Nifty 50	16,266.2	15,782.2	3.1
Nifty Next 50	38,569.1	37,507.5	2.8
Nifty 100	16,476.7	15,986.5	3.1
Nifty 500	13,895.0	13,471.5	3.1
NIFTY MIDCAP 100	27,872.2	27,085.7	2.9
S&P BSE SENSEX	54,326.3	52,793.6	2.9
S&P BSE 100	16,588.3	16,103.9	3.0
S&P BSE 200	7,051.4	6,842.3	3.1
S&P BSE 500	22,137.1	21,458.9	3.2
S&P BSE MidCap	22,506.8	21,815.7	3.2
S&P BSE SmallCap	26,351.2	25,315.8	4.1

WORLD INDICES

Index	20-May-22	13-May-22	Weekly % Chg
Nikkei Index	26,739.0	26,427.6	1.2
Hang Seng Index	20,717.2	19,898.7	4.1
Kospi Index	2,639.2	2,604.2	1.3
Shanghai SE Composite	3,146.5	3,084.2	2.0
Strait Times Index	3,240.5	3,191.1	1.5
Dow Jones	31,261.9	32,063.8	-2.5
NASDAQ	11,354.6	11,764.6	-3.5
FTSE	7,389.9	7,418.1	-0.4

FOREX

Currency	20-May-22	13-May-22	Weekly % Chg
US\$ (Rs.)	77.8	77.4	0.5
GBP (Rs.)	97.2	94.4	3.0
Euro (Rs.)	82.1	80.3	2.2
Yen (Rs.) 100 Units	60.0	60.0	0.0

NIFTY TOP GAINERS (WEEKLY)

Scrip	20-May-22	13-May-22	Weekly % Chg
Yes Bank	14.0	12.5	12.0%
Eicher Motors	2,707.8	2,432.7	11.3%
Hindalco	429.1	388.0	10.6%
Coal India	186.0	168.7	10.2%
Adani Ports &Special	767.6	705.9	8.7%

NIFTY TOP LOSERS (WEEKLY)

Scrip	20-May-22	13-May-22	Weekly % Chg
Tech Mahindra	1,130.9	1,202.9	-6.0%
Indian Oil Corp.	1,17.0	121.3	-3.6%
TCS	3,293.0	3,414.9	-3.6%
Infosys	1,455.2	1,504.4	-3.3%
Power Grid Corpn.	229.1	236.3	-3.1%

FII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
20-May-22	8,550.1	9,815.6	-1,265.4
19-May-22	6,389.9	11,289.8	-4,899.9
18-May-22	8,919.0	10,173.6	-1,254.6
17-May-22	6,128.1	8,320.6	-2,192.4
16-May-22	4,205.9	5,994.8	-1,788.9
MTD	34,193.0	45,594.3	-11,401.3

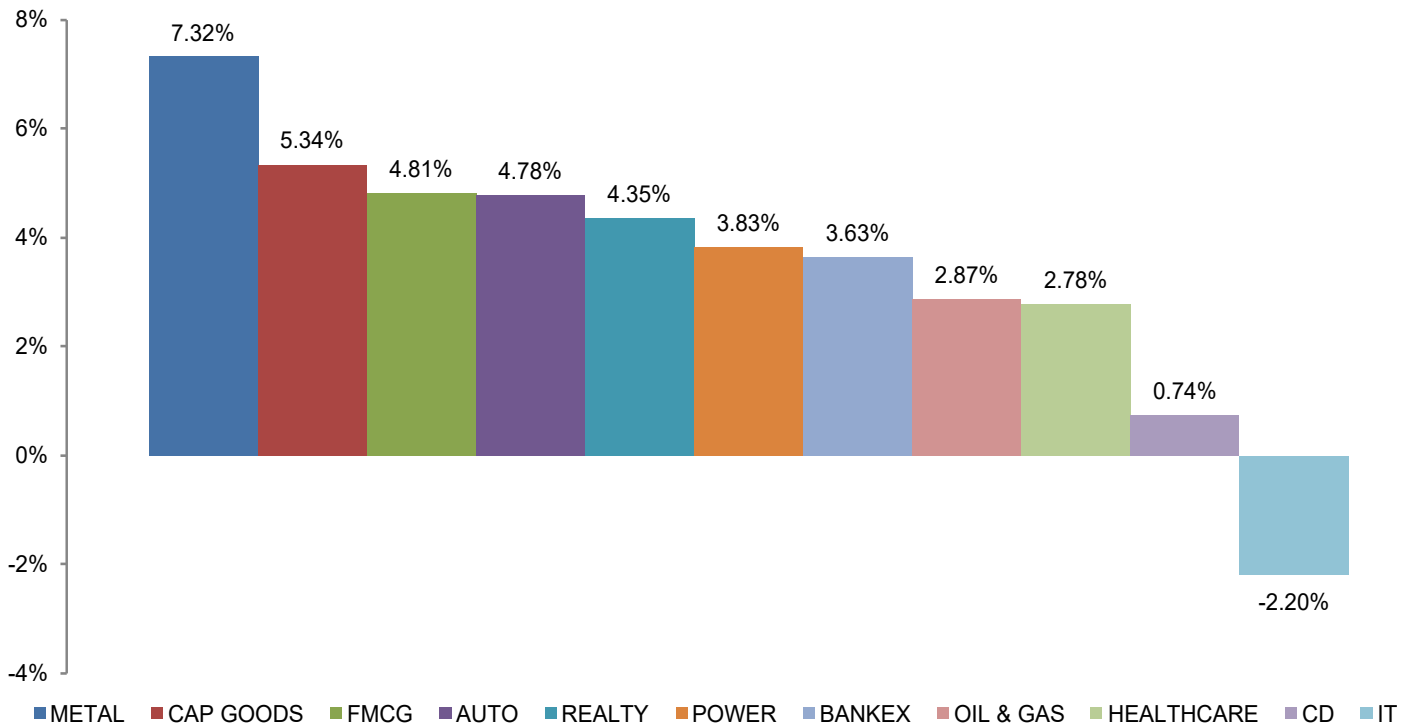
DII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
20-May-22	5,724.3	3,575.4	2,149.0
19-May-22	7,414.3	4,188.7	3,225.5
18-May-22	5,562.4	5,186.8	375.6
17-May-22	7,315.1	5,020.7	2,294.4
16-May-22	4,738.0	3,309.6	1,428.4
MTD	30,754.1	21,281.2	9,472.9

Weekly Wealth

BSE WEEKLY SECTORAL PERFORMANCE



Source: BSE, BP Equities Research

TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	13/05/22	20/05/22	Weekly % Chg	13/05/22	20/05/22	Weekly % Chg
	Share Price (Rs.)			Open Interest		
CHAMBLFERT	391.5	396.6	1.3	1830000	2286000	24.9
LALPATHLAB	2,234.4	1956.3	-12.4	795875	993375	24.8
HONAUT	34,019.9	31512.9	-7.4	8820	10890	23.5
HINDPETRO	258.0	244.6	-5.2	11186100	13208400	18.1
ASTRAL	1,729.5	1688.5	-2.4	557150	656975	17.9

TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	13/05/22	20/05/22	Weekly % Chg	13/05/22	20/05/22	Weekly % Chg
	Share Price (Rs.)			Open Interest		
INTELLECT	570.1	628.0	10.2	1289250	874500	-32.2
HDFCBANK	1,291.3	1323.1	2.5	78711050	56189100	-28.6
SBIN	438.8	455.0	3.7	59629500	43588500	-26.9
ICICIBANK	678.9	711.1	4.7	108312875	80467750	-25.7
GNFC	618.0	636.9	3.1	4893200	3655600	-25.3

Company Background

Indoco Remedies Ltd. (IRL) was established in 1945 by Mr. Govind Ramnath as an Indo Continental Trading Company. The company was involved in importing pharmaceutical formulations from Europe and selling the same in India at present, IRL manufactures and markets branded formulations, APIs and contract research and manufacturing services (CRAMS), with a strong presence in domestic formulations. In the domestic business, the company enjoys a prominent presence in the anti-infective, respiratory, gastro-intestinal and dental segments. In domestic formulations, through its nine marketing divisions, the company serves a range of specialty in Domestic formulations accounting for 54% of revenues. Major therapies are: respiratory, anti-infectives, stomatologicals, gastrointestinal and vitamins. IRL's formulations plants are located at Goa (three plants), Mumbai, Waluj (Aurangabad) and Baddi (Himachal Pradesh), while its API plants are located at Patalganga (Maharashtra) and Rabale (Navi Mumbai). The facilities have been approved by most regulatory authorities, including the USFDA and UK-MHRA.

Investment Rationale

Established brands in the domestic formulations market

IRL's presence in the domestic formulations market is primarily limited to mature molecules in acute therapies (which accounted for ~65-70% of its FY21 sales) with intense competition. It has a wide therapeutic coverage with a strong presence in anti-infectives, respiratory systems, gastro-intestinal and dental therapies. The company enjoys a healthy reputation in the domestic market, with its major brands positioned amongst the top five positions in their respective therapy segments. The company has launched two products in Q4 with a total six launches in FY22. Covid related revenues in FY22 were ~ INR 300mn (~4% of domestic formulation revenue), majorly contributed by Karvol Plus, ATM and Oxipod. The management has guided for a 4-5% price hike in the non-NLEM portfolio, while the NLEM portfolio (~11% of domestic sales) will get a standard price hike. We believe the company's domestic business continues to focus on brand building with selective launches to boost growth.

Healthy revenue growth visibility across key geographies

The company revenue export formulations comprised ~41%. The revenues from regulated markets of the US and Europe contribute ~78% of its export revenues. We expect healthy revenue growth prospects for IRL driven by a robust recovery formulations market, new product launches, a healthy product pipeline for the US and European markets, and execution of tenders for European markets. The growth for the US markets is driven by continued growth from existing products, the launch of new products and a healthy pipeline of products under development, including complex injectables, oral solids and ophthalmic solutions. A healthy order book and a two-year supply contract for Allopurinol (anti-gout) in Germany support the growth in European markets. IRL is looking to continually scale up revenues from emerging and unregulated markets and grow its API revenues. Three ANDAs were launched in the US including Lacosamide tablet and Lacosamide injection. The company guided for five to six ophthalmic launches in 18-24 months. IRL has strong marketing partners in the US and Europe like TEVA Pharmaceuticals and Perrigo Company PLC, respectively, among others. Healthy revenue growth in FY23 driven by a robust recovery in the formulations market, new product launches and execution of tenders for European markets.

Valuation outlook

The company's domestic business continues to focus on brand building, thrust on the chronic and sub-chronic segment as well as penetration in the north and east regions. The growth for the US markets is driven by continued growth from existing products, launch of new products and healthy pipeline of products under development, which include complex injectables, oral solids and ophthalmic solutions. The targeted molecules are expected to have lower competitive intensity and pricing pressures because of their complex manufacturing process. A healthy order book and a two-year supply contract for Allopurinol (anti-gout) in Germany support the growth in European markets. IRL is looking to continually scale up revenues from emerging and unregulated markets and grow its API revenues. Moreover, clearance from UK-MHRA and lifting of USFDA warning letters for Goa plants II and III is likely to improve operating leverage for export formulations. The management believes the US/EU could grow by 40%/20% in FY23. On the valuation front, we valued the company based on 16x of FY24e earnings and arrived at a target price of INR 473 (27% 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)	373
Target Price (INR)	473
NSE Symbol	INDOCO
BSE Code	532612
Bloomberg	INDR IN
Reuters	INRM.BO

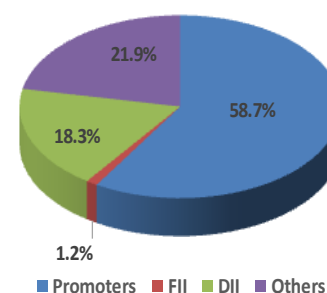
Key Data

Nifty	16,266
52WeekH/L(INR)	529/321
O/s Shares (Mn)	92
Market Cap (INR bn)	34
Face Value (INR)	2

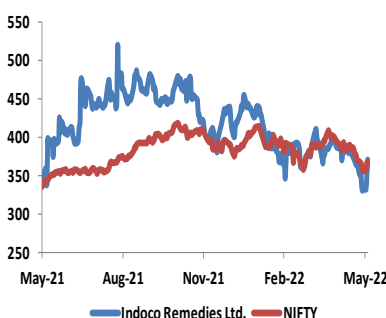
Average volume

3 months	11,820
6 months	1,32,110
1 year	3,62,450

Share Holding Pattern (%)



Relative Price Chart



Weekly Wealth

Key Financials

YE March (INR. Mn)	FY19	FY20	FY21	FY22	FY23E	FY24E
Revenue	9,684	11,066	12,415	15,397	18,307	21,108
<i>Revenue Growth (Y-o-Y)</i>	(7.1%)	14.3%	12.2%	24.0%	18.9%	15.3%
EBIDTA	766	1,208	2,183	3,273	3,753	4,559
<i>EBIDTA Growth (Y-o-Y)</i>	(41.7%)	57.7%	(80.7%)	(49.9%)	14.7%	21.5%
Net Profit	-29	241	930	1,548	2,142	2,723
<i>Net Profit Growth (Y-o-Y)</i>	(107.1%)	(930.5%)	285.8%	66.4%	38.4%	27.1%
Diluted EPS	(0.3)	2.6	10.1	16.8	23.3	29.6
<i>Diluted EPS Growth (Y-o-Y)</i>	(107.1%)	(930.5%)	285.8%	66.4%	38.4%	27.1%

Key Ratios

EBIDTA margin (%)	7.9%	10.9%	17.6%	21.3%	20.5%	21.6%
NPM (%)	-0.3%	2.2%	7.5%	10.1%	11.7%	12.9%
RoE (%)	-0.4%	3.5%	12.1%	17.1%	19.7%	20.6%
RoCE (%)	8.5%	13.7%	22.2%	28.5%	29.3%	32.2%

Valuation Ratios

P/E (x)	-1184.2x	142.6x	37.0x	22.2x	16.1x	12.6x
EV/EBITDA	47.5x	29.8x	16.7x	11.2x	9.6x	7.7x
P/BV (x)	5.2x	5.1x	4.5x	3.8x	3.2x	2.6x
Market Cap. / Sales (x)	3.6x	3.1x	2.8x	2.2x	1.9x	1.6x

Source: Company, BP Equities Research



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