



Weekly Wealth

May 02, 2023

Week Gone

- In the week ended on Friday, 28 April 2023, the S&P BSE Sensex jumped 1,457.4 points or 2.4% to settle at 61,112.4. The Nifty 50 index advanced 440.9 points or 2.5% to settle at 18,065.
- The BSE Mid-Cap index added 2.6% to settle at 25,492.4.
- The BSE Small-Cap index gained 2.4% to close at 28,917.1.

Week Ahead

- On the domestic macro front, the March 2023 quarterly earnings will continue to remain in focus
- Auto stocks will be in focus as auto companies will start announcing monthly sales numbers for April on 1 May 2023.
- S&P Global services PMI for April will be announced on 3 May 2023.
- Euro Area inflation rate for April will be declared on 2 May 2023. While ECB will announce its interest rate decision on 4 May 2023.

Technical View

The 50 index closed on an exuberant note for the month scaling 705 points i.e. ~4%. The price action saw piercing out of a small base pattern and 50% retracement level and saw a follow-through day on tepid volumes on the daily timeframe. The daily RSI is trading marginally in the overbought zone and above the median on the weekly scale. This indicates room for further thrust. However, the price action faces immediate resistance in the zone of 18130—18200 which are previous supply zones. It will be crucial that the index steers clear and sustains above the mentioned zone to attract further bullish momentum.

Support: 17950- 17800-17700

Resistance: 18130 – 18200 - 18450



Source: Falcon, BP Equities Research

DOMESTIC INDICES

Index	28-Apr-23	21-Apr-23	Weekly % Chg
Nifty 50	18,065.0	17,624.1	2.5
Nifty Next 50	39,514.2	38,426.1	2.8
Nifty 100	17,904.0	17,455.3	2.6
Nifty 500	15,219.6	14,847.1	2.5
NIFTY MIDCAP 100	31,794.8	31,087.4	2.3
S&P BSE SENSEX	61,112.4	59,655.1	2.4
S&P BSE 100	18,325.0	17,888.3	2.4
S&P BSE 200	7,709.5	7,519.6	2.5
S&P BSE 500	24,209.4	23,611.6	2.5
S&P BSE MidCap	25,492.4	24,845.0	2.6
S&P BSE SmallCap	28,917.1	28,234.3	2.4

NIFTY TOP GAINERS (WEEKLY)

Scrip	28-Apr-23	21-Apr-23	Weekly % Chg
Larsen & Toubro	2364.4	2215.2	6.7%
SBI	578.3	543.2	6.5%
Bajaj Finance	6280.1	5937.9	5.8%
Indiabulls Housing	107.7	102.0	5.5%
Britannia Industries	4553.6	4327.8	5.2%

NIFTY TOP LOSERS (WEEKLY)

Scrip	28-Apr-23	21-Apr-23	Weekly % Chg
Yes Bank	15.7	16.2	-3.1%
Hindustan Unilever	2457.3	2497.95	-1.6%
GAIL India	107.3	108.35	-1.0%
Cipla	908.05	915.05	-0.8%
Axis Bank	860	864.2	-0.5%

WORLD INDICES

Index	28-Apr-23	21-Apr-23	Weekly % Chg
Nikkei Index	28,856.4	28,564.4	1.0
Hang Seng Index	19,894.6	20,075.7	-0.9
Kospi Index	2,501.5	2,544.4	-1.7
Shanghai SE Composite	3,323.3	3,301.3	0.7
Strait Times Index	3,270.5	3,300.5	-0.9
Dow Jones	34,098.2	33,809.0	0.9
NASDAQ	12,226.6	12,072.5	1.3
FTSE	7,870.6	7,914.1	-0.6

FOREX

Currency	28-Apr-23	21-Apr-23	Weekly % Chg
US\$ (Rs.)	81.8	82.1	-0.4
GBP (Rs.)	102.9	101.9	0.9
Euro (Rs.)	90.3	90.1	0.3
Yen (Rs.) 100 Units	60.1	61.1	-1.6

FII - ACTIVITY

(INR. Cr.)

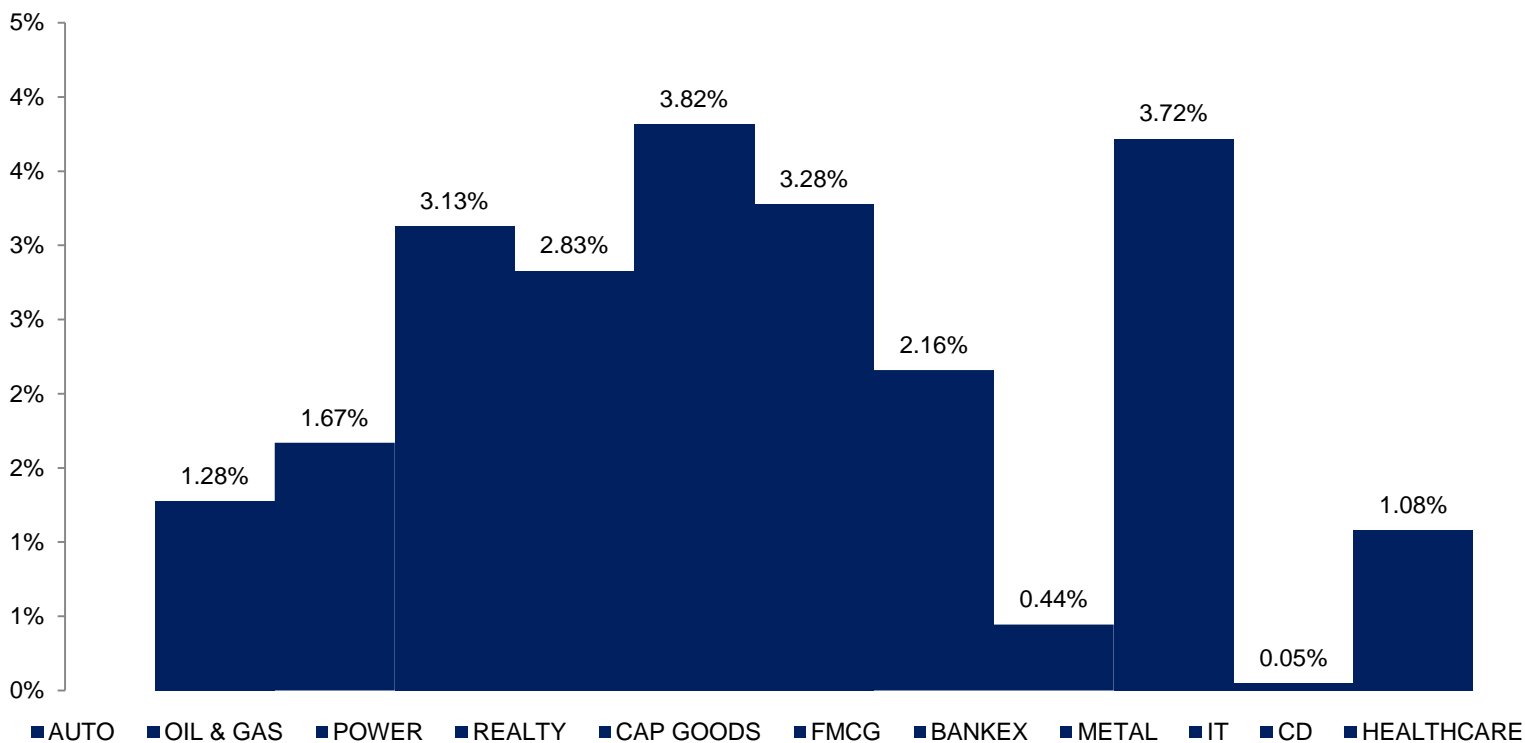
Date	Purchases	Sales	Net
28-Apr-23	13,577.3	10,273.0	3,304.3
27-Apr-23	7,140.0	5,487.0	1,653.0
26-Apr-23	7,813.6	6,556.1	1,257.5
25-Apr-23	9,244.2	9,651.6	-407.4
24-Apr-23	6,218.8	6,631.1	-412.3
<u>MTD</u>	43,993.9	38,598.8	5,395.1

DII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
28-Apr-23	6,319.2	6,054.9	264.3
27-Apr-23	5,638.0	5,540.9	97.1
26-Apr-23	5,220.2	5,448.1	-227.9
25-Apr-23	6,547.5	5,983.9	563.6
24-Apr-23	6,138.6	4,961.5	1,177.2
<u>MTD</u>	29,863.6	27,989.3	1,874.3

BSE WEEKLY SECTORAL PERFORMANCE



TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	28/04/23	21/04/23	Weekly % Chg	28/04/23	21/04/23	Weekly % Chg
	Share Price (Rs.)			Open Interest		
CROMPTON	256.6	295.9	-13.3	13444500	5271000	155.1
GRASIM	1732.6	1665.0	4.1	12206075	4792750	154.7
IPCALAB	714.9	843.3	-15.2	3664050	1807650	102.7
VOLTAS	801.5	859.4	-6.7	8104200	4504200	79.9
IDFCFIRSTB	62.0	56.5	9.6	200115000	135795000	47.4

TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	28/04/23	21/04/23	Weekly % Chg	28/04/23	21/04/23	Weekly % Chg
	Share Price (Rs.)			Open Interest		
HDFC	2780.4	2760.5	0.7	8019600	18083700	-55.7
CUB	142.2	130.5	9.0	17230000	23600000	-27.0
COFORGE	4179.7	3833.9	9.0	597600	800400	-25.3
IGL	496.5	487.0	2.0	5530250	7165125	-22.8
AUBANK	655.0	667.5	-1.9	11287000	13600000	-17.0

Company Overview

Zydus Lifesciences Ltd. is one of the leading pharmaceutical companies in India, with presence across the pharmaceutical value chain, which includes manufacturing, research, development, marketing and selling of finished dosage branded formulations such as US generics, branded generics, and specialty formulations, including biosimilars and vaccines, Active pharmaceutical ingredients (APIs), animal healthcare and consumer wellness products. The company has global presence and sells its products in the US, India, Europe and emerging markets of Latin America, Asia Pacific region and Africa. The company is also engaged in R&D activities across the value chain of API process development, generics development for simple as well as differentiated dosage forms like modified release oral solids, transdermals, topicals and nasals, biologics, vaccines, and New Chemical Entities (NCE). Further, the company has a global manufacturing footprint of 35 facilities that follow stringent regulatory compliance standards and have capabilities to manufacture diverse dosage forms at scale, offering cost-effective and high-quality pharmaceutical products to customers worldwide.

Investment Rationale

Domestic business to accelerate growth

Zydus Lifesciences is an Indian branded formulation business constituting ~30% of sales in 9MFY23. The company has a vast portfolio, with 12 brands generating sales greater than Rs. 1 billion. The company derives ~20% of domestic revenue from the NLEM products, which should grow in double digits, with a WPI-linked price increase in FY23. Further, the company has a field force of 5,800 MR, which translates into productivity of Rs. 6.9 lakh/MR per month. We expect MR productivity to improve further, with the company now moving towards biosimilars, thus increasing the growth momentum and revenue contribution from the India formulation business. Further, in the short term, Zydus Life's domestic revenue is also likely to be benefited by the strong performance of its Consumer Wellness business (10% of sales in 9MFY23) driven by strong demand for its seasonal products such as Glucon-D and Nycil.

New launches in the US business provide growth visibility

Zydus Lifesciences' US sales comprise ~43% of sales and are likely to maintain high single-digit growth. The key products that could shape the growth of its US business are transdermal products such as gTrokendi XR and gRevlimid. We expect these launches to add to US sales growth going ahead. The company has filed 440 ANDAs cumulatively in the US as of 9MFY23, of which, 91 are pending approval with the USFDA. The company expect the price erosion in the US market to continue which will be offset mainly by new product launches. Further, we expect demand for the US business to remain robust on the back of strong set of product approvals it has bagged in the recent past. The company expects to sustain positive momentum for the US sales driven by new launches and volume growth.

Stock Rating

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

Stock Details

CMP (INR)	520
Target Price (INR)	597
NSE Symbol	ZYDUSLIFE
BSE Code	532321
Bloomberg	ZYDUSLIF IN
Reuters	CADI.BO

Key Data

NIFTY	18,065
52Week H/L (INR)	524/319
O/s shares (mn)	1,012
Market Cap (INR bn)	527
Face Value (INR)	1

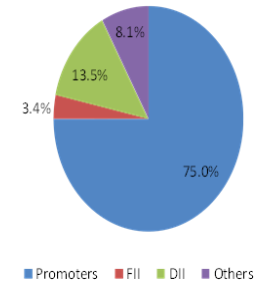
Average Volume

3 months	1,081,010
6 months	1,120,010
12 months	1,276,250

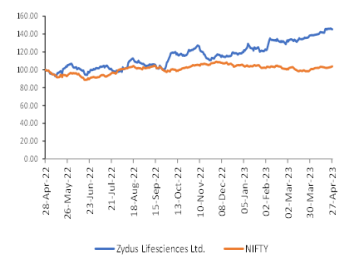
Valuation and Outlook

Zydus Lifesciences Ltd. continued to post decent numbers due to good operating performance led by robust growth across businesses. The US business is on a strong footing, helped by a robust new product pipeline and ramp-up in recent product launches, which would be long-term growth drivers. The India business continues to deliver double-digit growth in the current fiscal, adjusted for COVID-related revenues in the formulations business last year. Overall, Zydus has outpaced the market growth during the quarter. The company has gained market share and improved ranking in gynecology, antidiabetic, and nutraceutical portfolio during the quarter. The company's first new chemical entity, Lipaglyn continued to expand its reach by growing its patient base by 45% in 2022. Further, with a substantial debt reduction, Zydus Lifesciences has strengthened its balance sheet. The company looks to keep an eye on debt reduction going ahead as well. This augurs well and would strengthen the company's financials. We, thus believe that Zydus Lifescience's revenue and operating performance will gradually improve on the back of new product launches, healthy return ratios, and stable financial performance, which provides long-term growth visibility. Thus, based on the above factors, we give the stock a **"Buy"** rating. On the valuation front, **we value the company based on 14x of FY24e earnings and arrived at a target price of INR 597 (15% upside from CMP) with a 12 months investment horizon.**

Share Holding Pattern



Relative Price Chart



Key Financials							
YE March (INR. Mn)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Revenue	119,049	131,656	142,531	144,035	152,652	164,864	181,351
<i>Revenue Growth (Y-o-Y)</i>		10.6%	8.3%	1.1%	6.0%	8.0%	10.0%
EBIDTA	28,474	29,784	27,802	33,853	33,300	34,621	38,990
<i>EBIDTA Growth (Y-o-Y)</i>		4.6%	(6.7%)	(21.8%)	1.6%	4.0%	12.6%
Net Profit	17,758	18,488	11,766	21,336	44,873	28,027	43,161
<i>Net Profit Growth (Y-o-Y)</i>		4.1%	(36.4%)	81.3%	110.3%	(37.5%)	54.0%
Diluted EPS	17.5	18.3	11.6	21.1	44.3	27.7	42.6
<i>Diluted EPS Growth (Y-o-Y)</i>		4.1%	(36.4%)	81.3%	110.3%	(37.5%)	54.0%
Key Ratios							
EBIDTA margin (%)	23.9%	22.6%	19.5%	23.5%	21.8%	21.0%	21.5%
NPM (%)	14.9%	14.0%	8.3%	14.8%	29.4%	17.0%	23.8%
RoE (%)	19.9%	15.8%	10.0%	14.3%	23.6%	13.0%	16.8%
RoCE (%)	20.3%	15.8%	14.8%	18.2%	14.7%	13.9%	13.6%
Valuation Ratios							
P/E (x)	29.6x	28.5x	44.7x	24.7x	11.7x	18.8x	12.2x
EV/EBITDA	19.8x	19.9x	21.1x	16.4x	16.6x	15.9x	14.0x
P/BV (x)	5.9x	4.5x	4.5x	3.5x	2.8x	2.4x	2.1x
Market Cap. / Sales (x)	4.4x	4.0x	3.7x	3.7x	3.4x	3.2x	2.9x

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification :

We analysts and the authors of this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer (s) or securities. 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 report. Analysts aren't registered as research analysts by FINRA and might not be an associated person of the BP Equities Pvt. Ltd. (Institutional Equities).

General Disclaimer :

This report has been prepared by the research department of BP EQUITIES Pvt. Ltd, is for information purposes only. This report is not construed as an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal.

BP EQUITIES Pvt. Ltd have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time. Prospective investors are cautioned that any forward looking statement are not predictions and are subject to change without prior notice.

Recipients of this material should rely on their own investigations and take their own professional advice.

BP EQUITIES Pvt. Ltd or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report.

BP EQUITIES Pvt. Ltd. or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations. BP EQUITIES Pvt. Ltd and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person in any locality, state and country or other jurisdiction where such distribution, publication or use would be contrary to the law or regulation or would subject to BP EQUITIES Pvt. Ltd or any of its affiliates to any registration or licensing requirement within such jurisdiction.

Stobox is a brand of BP Equities Pvt Ltd and BP Equities Pvt Ltd is a SEBI Registered broker.

BP Equities Pvt Ltd – SEBI Regn No: INZ000176539 (BSE/NSE), INZ000030431 (MCX/NCDEX), IN-DP-CDSL-183-2002 (CDSL), INH000000974 (Research Analyst) CIN: U45200MH1994PTC081564BP Comtrade Pvt Ltd – SEBI Regn No: INZ000030431 CIN: U45200MH1994PTC081564

For complaints, send email on investor@bpwealth.com.

Corporate Office :

4th floor, Rustom Bldg, 29, Veer Nariman Road, Fort, Mumbai-400001
Phone- +91 22 6159 6464 | Fax:+91 22 6159 6160 | Website- www.stobox.in

Registered Office :

24/26, 1st floor, Cama Building, Dalal street, Fort, Mumbai-400001



Download the App Now!



Follow us on

