



BP WEALTH

# 20 21

## NEW YEAR PICK

FUNDAMENTAL RESEARCH

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# Our top 5 New Year Picks for 2021



**ADF Foods**

Buying range: INR 648 –590

Target Price : INR 801



**Bank Of Baroda**

Buying range: INR 65–60

Target Price : INR 78



**IRCTC**

Buying range: INR 1,451–1,350

Target Price : INR 1,775



**Lupin**

Buying range: INR 1,027–950

Target Price : INR 1,272



**SeQuent**

Buying range: INR 181–160

Target Price : INR 219

05th January, 2021

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### Sector : FMCG

#### Company Background

Incorporated in 1932, ADF Foods Limited is engaged in manufacturing and selling of various food products. It offers a range of products, including ready-to-eat food, ready-to-cook food, frozen food, frozen vegetables, and meal accomplishments, such as pickles, chutneys, sauces, cooking pastes, spices, etc. These products are available in over 50+ countries through a strong distribution network under various brand name such as the Ashoka, Truly Indian, Camel, Aeroplane, Soul, Nate's, and PJ's Organic etc.

#### Investment Rationale

##### Strong presence in Indian Ethnic Food across overseas market

ADF Food's wide range of Indian ethnic products such as ready-to-cook, ready-to-eat, frozen, pickles, condiments etc contributes around 75% to the overall revenue mix catering to its largest markets namely the US and UK. Moreover, the company is witnessing a paradigm shift in taste preference over ethnic food due to the increasing approach towards experimenting with new products with international cuisines and increasing migration among the world population for personal and professional purposes which are increasing the overall demand. Amongst the international cuisines, Asian (Indian, Chinese), Middle Eastern and Mexican cuisines are the most preferred ones which are growing faster than before. Therefore, its strong presence in their core domain and a shift to consumers innovative and experimental food choices enables to create a headroom for potential growth.

##### Increase in penetration led by strong brand image

The company exports its products to more than 50 countries with its offerings in the US constitute of core brands like Nate's, Ashoka, Truly Indian and PJ's and in the UK as Brand Soul. The company has been successful in launching new products in major supermarket chains and natural grocery stores across the US and expects to launch new products in upcoming years too. Similarly, its brands Camel and Aeroplane have a strong presence in Middle East. Moreover, it has a proven track record of developing domestic brands and re-entered under its umbrella brand SOUL which now accessible on e-commerce sites like Flipkart, Big Basket, Reliance Retail and Sahakari Bhandar & Haik (supermarket). Therefore, going ahead the company is expected to benefit from the increase in penetration with its healthy range of products over the next couple of years.

#### Valuation and Outlook

ADF Foods has a strong position as an exporter of ethnic Indian food. Over the years the company has built a strong product portfolio under its established brand names. Increasing consumer tastes with a strong preference in Ready to Eat meals are major key drivers for long term growth. Currently, on the demand side, there has been a rise in stocking up on food with long shelf-life and preferring to eat home-cooked meals among people. Moreover, with most restaurants being closed and a large number of people working from home, the ready-to-eat market has been witnessing accelerated growth amid the pandemic. . On the valuation front, we value the company based on 24x P/E multiple of FY23E and recommend BUY rating on this stock with a price target of INR 801.

#### Stock

|                    |                            |
|--------------------|----------------------------|
| Recommendation     | Buy at CMP and add on dips |
| Buying Range (INR) | 648-590                    |
| Target price       | 801                        |
| Investment Horizon | Till Next New Year         |
| BSE code           | 519183                     |
| NSE Symbol         | ADFFOODS                   |
| Bloomberg          | ADFL IN                    |
| Reuters            | AMRN.BO                    |

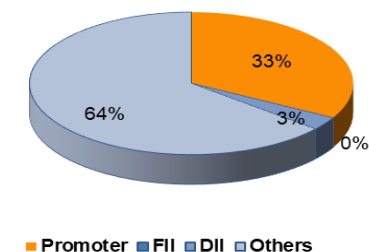
#### Key Data

|                     |         |
|---------------------|---------|
| Nifty               | 14,132  |
| 52WeekH/L(INR)      | 680/123 |
| O/s Shares (mn)     | 20      |
| Market Cap (INR bn) | 12      |
| Face Value (INR)    | 10      |

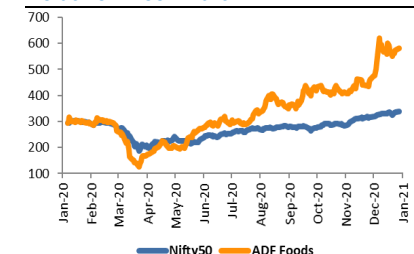
#### Average volume

|          |          |
|----------|----------|
| 3 months | 1,30,480 |
| 6 months | 1,33,220 |
| 1 year   | 1,15,010 |

#### Share Holding Pattern (%)



#### Relative Price Chart



| Key Financials          |       |       |       |       |       |
|-------------------------|-------|-------|-------|-------|-------|
| YE March (INR. In mn)   | FY19  | FY20E | FY21E | FY22E | FY23E |
| Revenue                 | 2,314 | 2,728 | 3,053 | 3,474 | 3,978 |
| Growth (Y-oY)           | 15.2% | 17.9% | 11.9% | 13.8% | 14.5% |
| EBIDTA                  | 289   | 404   | 479   | 559   | 688   |
| Growth (Y-oY)           | 51.7% | 39.9% | 18.7% | 16.7% | 23.0% |
| Net Profit              | 253   | 428   | 485   | 559   | 668   |
| Growth (Y-oY)           | 40.2% | 68.8% | 13.5% | 15.2% | 19.5% |
| Diluted EPS             | 12.7  | 21.4  | 24.2  | 27.9  | 33.4  |
| Growth (Y-oY)           | 40.2% | 68.8% | 13.5% | 15.2% | 19.5% |
| Key Ratios              |       |       |       |       |       |
| EBIDTA (%)              | 12.5% | 14.8% | 15.7% | 16.1% | 17.3% |
| NPM (%)                 | 10.9% | 15.7% | 15.9% | 16.1% | 16.8% |
| RoE (%)                 | 14.7% | 20.9% | 19.7% | 18.8% | 18.7% |
| RoCE (%)                | 16.8% | 17.7% | 17.7% | 18.8% | 19.2% |
| Valuation Ratios        |       |       |       |       |       |
| P/E (x)                 | 51.1x | 30.2x | 26.6x | 23.1x | 19.4x |
| EV/EBITDA               | 44.2x | 31.7x | 25.2x | 21.5x | 17.4x |
| P/BV (x)                | 7.5x  | 6.3x  | 5.2x  | 4.4x  | 3.6x  |
| Market Cap. / Sales (x) | 5.6x  | 4.7x  | 4.2x  | 3.7x  | 3.3x  |

# Bank of Baroda Ltd.

BUY



## Sector : Banks

### Company Background

Bank of Baroda (BoB), incorporated in 1908 is engaged into banking and financial services. It offers various services such as Retail banking, rural and agri banking ,corporate banking under which it offers products and services such as deposits, loans, credit and debit cards, demat services, project finance, agricultural loans, lockers services, foreign currency loans, working capital finance, treasury products etc. The bank has a pan India presence through a network of 9,500 domestic branches and 13,400 ATMs, Post merger. It also has an overseas presence with 101 branches in 21 countries.

### Investment Rationale

#### Well positioned among Public sector banks with respect to strong asset base

Prior to the merger with Vijaya Bank and Dena Bank, BoB was the third largest PSB, in terms of the asset base, and the fifth largest with a market share of 4.8% in the Indian banking sector. Post merger, BoB is the second largest PSB with an estimated market share of 7.0% of the total assets in the Indian banking sector .As per the management, banks subsidiaries largely remain self-sufficient for capital requirements in near to medium term and will require limited capital support from the bank. Moreover, continuous support from the GoI in terms of required capital will enable to a create a long term growth

#### Strong distribution network across the globe

Over the years, Bank of Baroda has developed a strong franchise with pan India presence. Vijaya Bank and Dena Bank were merged into Bank of Baroda with effect from April 1, 2019 and the merged entity has completed one year of operations. Post the merger, the bank has over 12 cr customers across the globe through its strong distribution network of more than 9,500 branches and 13,400 ATMs with ~84,000 employees. Moreover, the bank also has international presence with major financial centers in New York, London, Singapore, Brussels and Dubai etc. The bank has 101 overseas branches / offices across 21 countries and eight overseas subsidiaries and one international banking unit in GIFT City (SEZ) in Gujarat dealing exclusively in foreign currency.

### Valuation and Outlook

BoB is the second largest public sector bank (PSB) with respect to strong asset base and third largest in terms of the advances. In Q2FY21, it reported an improved performance on the operational front. Moreover, its asset quality has also improved sequentially with collection efficiency. However, its focus on building loan book by leveraging geographical outreach will enable to augur healthy growth. All these factors contributes a positive view towards the bank. We recommend a BUY rating on this stock by assigning a P/BV multiple of 0.46x to FY23 book value implying a target price of INR 78 .

### Stock

|                    |                            |
|--------------------|----------------------------|
| Recommendation     | Buy at CMP and add on dips |
| Buying Range (INR) | 65-60                      |
| Target price       | 78                         |
| Investment Horizon | Till Next New Year         |
| BSE code           | 532134                     |
| NSE Symbol         | BANKBARODA                 |
| Bloomberg          | BOB.IN                     |
| Reuters            | BOB.BO                     |

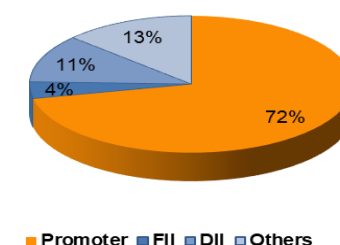
### Key Data

|                     |        |
|---------------------|--------|
| Nifty               | 14,132 |
| 52WeekH/L(INR)      | 105/36 |
| O/s Shares (mn)     | 4621   |
| Market Cap (INR bn) | 304    |
| Face Value (INR)    | 2      |

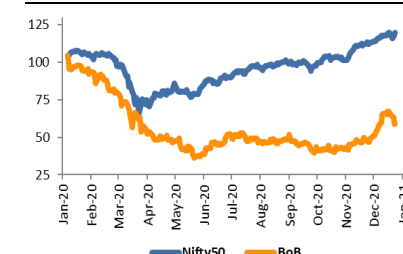
### Average volume

|          |             |
|----------|-------------|
| 3 months | 4,40,21,330 |
| 6 months | 3,80,42,070 |
| 1 year   | 3,57,68,840 |

### Share Holding Pattern (%)



### Relative Price Chart



| Key Financials             |          |          |          |          |          |
|----------------------------|----------|----------|----------|----------|----------|
| YE March (INR. In mn)      | FY19     | FY20     | FY21E    | FY22E    | FY23E    |
| Net Interest Income        | 1,86,838 | 2,74,513 | 3,21,624 | 3,38,348 | 3,72,183 |
| Revenue Growth (Y-o-Y)     | 20.4%    | 46.9%    | 17.2%    | 5.2%     | 10.0%    |
| Pre-Provisioning Profits   | 1,34,868 | 1,96,914 | 2,40,038 | 2,57,801 | 2,79,972 |
| Growth (Y-o-Y)             | 12.3%    | 46.0%    | 21.9%    | 7.4%     | 8.6%     |
| Net Profit                 | 4,335    | 5,462    | 11,361   | 19,086   | 30,538   |
| Net Profit Growth (Y-o-Y)  | (117.8%) | 26.0%    | 108.0%   | 68.0%    | 60.0%    |
| EPS                        | 0.9      | 1.2      | 2.5      | 4.1      | 6.6      |
| Diluted EPS Growth (Y-o-Y) | (117.8%) | 26.0%    | 108.0%   | 68.0%    | 60.0%    |
| Key Ratios                 |          |          |          |          |          |
| NIM (%)                    | 2.6%     | 2.4%     | 2.6%     | 2.6%     | 2.6%     |
| ROA (%)                    | 0.1%     | 0.0%     | 0.1%     | 0.1%     | 0.2%     |
| RoE (%)                    | 0.9%     | 0.8%     | 1.6%     | 2.5%     | 3.9%     |
| BV per Share (INR.)        | 99.4     | 155.5    | 158.0    | 162.1    | 168.7    |
| Valuation Ratios           |          |          |          |          |          |
| P/E (x)                    | 68.2x    | 54.1x    | 26.0x    | 15.5x    | 9.7x     |
| P/BV (x)                   | 0.6x     | 0.4x     | 0.4x     | 0.4x     | 0.4x     |

## Sector : Hospitality

### Company Background

Indian Railway Catering and Tourism Corporation Ltd (IRCTC) is a wholly-owned subsidiary of Indian Railways, Government of India. It is a Mini Ratna (Category-I Central Public Sector Enterprise), as an extended arm of the Indian Railways with the objective to upgrade, modernize, professionalize and manage the catering and hospitality services at stations, on trains and other locations, online ticket booking services, packaged drinking water and to promote domestic and international tourism through development of budget hotels, special tour packages, information & commercial publicity and global reservation systems.

### Investment Rationale

#### Monopolistic position in Internet ticketing and catering segment

On segmental basis, IRCTC is the only entity authorized by the Indian Railways to offer railway tickets online. It launched its rail e-booking services in 2002, which helped the rail booking segment gain significant ground in e-booking penetration. Under the Next Generation E-Ticketing System, it has achieved bookings of 24,350 tickets per minute. In catering business, company is providing services via three segment mobile catering, static catering, and e-catering. Currently, the company provides catering services for 350 pre-paid and post-paid trains, 530 static units, and also has 57 Jan Ahaars, 169 refreshment rooms, 138 food plazas, and 152 fast food units. Moreover, In FY20, Internet ticketing and Catering business contributed around 27% and 50% respectively of FY20 revenue. Thus, these kind of sustainable moat and consumer dependency will facilitate organic growth in medium to long term

#### Increasing privatization would enable to untap long term opportunities

On operational front, Indian Railways has initiated the process to get participation of private players for 151 passenger trains across 12 clusters. Company has participated in 11 of these 12 clusters in the Request For Quote (RFQ) invited by Indian Railways. Given that IRCTC is currently the only private train operator, through its 3 Tejas trains, we believe that it will bag more such clusters in coming months. Further, the Dedicated Freight Corridor project, once completed, is expected to significantly decongest the railway routes linking the four metropolitan cities of Delhi, Mumbai, Chennai and Howrah. Therefore, this would provide strong opportunity in capacity expansion of passenger trains which ultimately would benefit IRCTC across its business segments.

### Valuation and Outlook

IRCTC is a prominent player in Indian railway services on account of its top monopolistic segments– internet ticketing and catering services (i.e sole service provider) coupled with packaged drinking water business, providing pricing competitive edge. In these challenging times, the company pertains to be a good beneficiary parallel to unlock theme on a gradual pace. The company's monopolistic business and tapping new opportunities in rail services provide significant headroom to leverage its performance in the post-pandemic era. On the valuation front, we valued the company based on the 33x P/E multiple of FY23E and recommend a BUY rating on this stock with a price target of INR 1775(22% upside from current levels) with a 12 months investment horizon.

| Key Financials          |        |        |         |        |        |
|-------------------------|--------|--------|---------|--------|--------|
| YE March (INR. In mn)   | FY19   | FY20   | FY21E   | FY22E  | FY23E  |
| Revenue                 | 18,700 | 22,755 | 13,198  | 31,015 | 46,522 |
| Growth (Y-oY)           | 27.5%  | 21.7%  | (42.0%) | 135.0% | 50.0%  |
| EBIDTA                  | 3,832  | 7,117  | 2,772   | 9,987  | 13,491 |
| Growth (Y-oY)           | 33.6%  | 85.7%  | (61.1%) | 260.3% | 35.1%  |
| Net Profit              | 3,086  | 5,286  | 2,904   | 7,754  | 8,607  |
| Growth (Y-oY)           | 40.6%  | 71.3%  | (45.1%) | 167.0% | 11.0%  |
| Diluted EPS             | 19.3   | 33.0   | 18.1    | 48.5   | 53.8   |
| Growth (Y-oY)           | 40.6%  | 71.3%  | (45.1%) | 167.0% | 11.0%  |
| Key Ratios              |        |        |         |        |        |
| EBIDTA (%)              | 20.5%  | 31.3%  | 21.0%   | 32.2%  | 29.0%  |
| NPM (%)                 | 16.5%  | 23.2%  | 22.0%   | 25.0%  | 18.5%  |
| RoE (%)                 | 28.8%  | 39.8%  | 19.3%   | 37.6%  | 31.8%  |
| RoCE (%)                | 35.8%  | 53.6%  | 18.4%   | 48.4%  | 49.8%  |
| Valuation Ratios        |        |        |         |        |        |
| P/E (x)                 | 75.2x  | 43.9x  | 80.0x   | 29.9x  | 27.0x  |
| EV/EBITDA               | 57.6x  | 30.8x  | 83.4x   | 23.2x  | 17.1x  |
| P/BV (x)                | 21.7x  | 17.5x  | 15.4x   | 11.3x  | 8.6x   |
| Market Cap. / Sales (x) | 12.4x  | 10.2x  | 17.6x   | 7.5x   | 5.0x   |

Source: Company, BP Equities Research

### Stock

|                    |                            |
|--------------------|----------------------------|
| Recommendation     | Buy at CMP and add on dips |
| Buying Range (INR) | 1,451-1,350                |
| Target price (INR) | 1,775                      |
| Investment Horizon | Till Next New Year         |
| BSE code           | 542830                     |
| NSE Symbol         | IRCTC                      |
| Bloomberg          | IRCTC IN                   |
| Reuters            | INIR.BO                    |

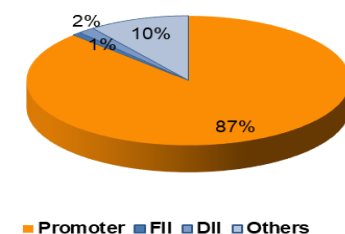
### Key Data

|                     |          |
|---------------------|----------|
| Nifty               | 14,132   |
| 52WeekH/L(INR)      | 1995/775 |
| O/s Shares (mn)     | 160      |
| Market Cap (INR bn) | 232      |
| Face Value (INR)    | 10       |

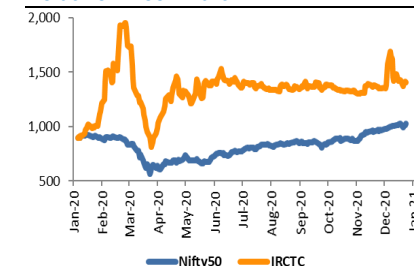
### Average volume

|          |           |
|----------|-----------|
| 3 months | 17,87,560 |
| 6 months | 12,42,180 |
| 1 year   | 17,94,800 |

### Share Holding Pattern (%)



### Relative Price Chart





### Sector : Pharmaceutical

#### Company Background

Lupin Limited (erstwhile Lupin Chemicals) was founded in 1968 by the Late Dr. Desh Bandhu Gupta, the father of the current Managing Director, Mr. Nilesh Gupta, when Dr. Gupta had bought the Lupin trademark from Charak Pharmaceuticals. Lupin is an integrated pharmaceutical company with a presence across research, manufacturing, and marketing of formulations and APIs.

#### Investment Rationale

##### Domestic formulations business has continuously outperformed IPM growth

Lupin ranks sixth in domestic formulations with a market share of 3.8%. The domestic segment continues to outperform the IPM, with the company registering a compounded annual growth rate (CAGR) of 15% for its chronic portfolio during the last three years vis-a-vis the industry growth of 11%. Also, tie-ups with Eli Lilly, Boehringer for antidiabetics, and with MSD for pneumonia vaccines are some steps to bolster the domestic franchise. We expect domestic sales to grow at a 10% CAGR in FY20- 23E.

##### Strong US pipeline of limited competition products along with Market share gains in key products to drive medium-term growth

Lupin's US business (~36% of revenues) has been one of the largest ANDA pipelines comprising 436 filed ANDAs and 156 pending approvals including 46 FTFs. Ramp up in Albuterol (by Q4FY21), Levothyroxine (current market share is 12-13%), gGlumetza (re-launched at end of Q2FY21), and flu products (2H is seasonally strong) will drive growth in the near to medium term. Lupin has also made good progress in inhalation products, complex injectables, peptides and depot products which will drive growth over the medium to longer term. We expect the US to grow at a 12% CAGR over FY20-23e.

#### Valuation and Outlook

Lupin's US generics business is expected to see increased momentum in 2H with a higher contribution of gAlbuterol, gGlumetza (re-launched), and flu drugs. Incrementally, the company is also expecting many more complex approvals to come through. Successful closure of inspections and consequently timely launch of new products are critical for the company from a growth perspective. Over the long term, the injectables portfolio, as well as biosimilars (Enbrel and Neulasta), would be the key drivers for the company'. We remain positive on Lupin's ability to execute in the US (market share gains in key launches) which will be key to drive margin expansion of ~450bps over FY21-23e. Considering the above factor, we give a BUY rating on the stock by assigning 22x of Its FY23e earnings and arrive at a price target of INR 1272.

| Key Financials          |          |          |          |          |          |
|-------------------------|----------|----------|----------|----------|----------|
| YE March (INR. In mn)   | FY19     | FY20     | FY21E    | FY22E    | FY23E    |
| Revenue                 | 1,44,543 | 1,53,307 | 1,62,812 | 1,84,954 | 2,11,403 |
| Growth (Y-oY)           | (8.5%)   | 6.1%     | 6.2%     | 13.6%    | 14.3%    |
| EBIDTA                  | 23,504   | 22,107   | 27,352   | 36,066   | 45,029   |
| Growth (Y-oY)           | (25.3%)  | (5.9%)   | 23.7%    | 31.9%    | 24.9%    |
| Net Profit              | 6,066    | -2,694   | 13,025   | 19,605   | 26,214   |
| Growth (Y-oY)           | 141.4%   | (144.4%) | 583.5%   | 50.5%    | 33.7%    |
| Diluted EPS             | 13.4     | (5.9)    | 28.7     | 43.3     | 57.8     |
| Growth (Y-oY)           | 141.4%   | (144.4%) | 583.5%   | 50.5%    | 33.7%    |
| Key Ratios              |          |          |          |          |          |
| EBIDTA (%)              | 16.3%    | 14.4%    | 16.8%    | 19.5%    | 21.3%    |
| NPM (%)                 | 4.2%     | -1.8%    | 8.0%     | 10.6%    | 12.4%    |
| RoE (%)                 | 4.4%     | -2.1%    | 9.6%     | 12.9%    | 15.0%    |
| RoCE (%)                | 10.2%    | 11.1%    | 14.5%    | 18.3%    | 21.3%    |
| Valuation Ratios        |          |          |          |          |          |
| P/E (x)                 | 76.7x    | -172.8x  | 35.7x    | 23.7x    | 17.8x    |
| EV/EBITDA               | 23.3x    | 23.2x    | 18.56x   | 13.76x   | 10.62x   |
| P/BV (x)                | 3.4x     | 3.7x     | 3.4x     | 3.1x     | 2.7x     |
| Market Cap. / Sales (x) | 3.2x     | 3.0x     | 2.9x     | 2.5x     | 2.2x     |

Source: Company, BP Equities Research

#### Stock

|                    |                            |
|--------------------|----------------------------|
| Recommendation     | Buy at CMP and add on dips |
| Buying Range (INR) | 1,027-950                  |
| Target price (INR) | 1,272                      |
| Investment Horizon | Till Next New Year         |
| BSE code           | 500257                     |
| NSE Symbol         | LUPIN                      |
| Bloomberg          | LPC IN                     |
| Reuters            | LUPN.BO                    |

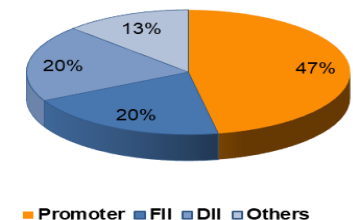
#### Key Data

|                     |          |
|---------------------|----------|
| Nifty               | 14,132   |
| 52WeekH/L(INR)      | 1122/505 |
| O/s Shares (mn)     | 453      |
| Market Cap (INR bn) | 464      |
| Face Value (INR)    | 2        |

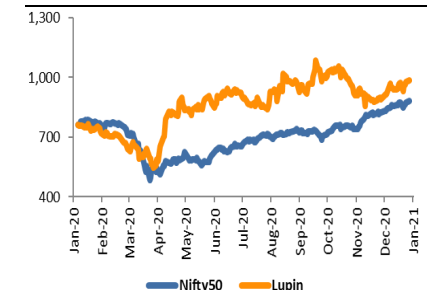
#### Average volume

|          |           |
|----------|-----------|
| 3 months | 36,77,520 |
| 6 months | 40,73,940 |
| 1 year   | 36,08,550 |

#### Share Holding Pattern (%)



#### Relative Price Chart



# Sequent Scientific Ltd.

BUY



Sector : Pharmaceutical

## Company Background

Incorporated in 1985, Sequent Scientific Limited (SSL) has a presence in animal APIs and veterinary formulations and bioanalytical services. Until September 2017, SSL (standalone) was engaged in manufacturing human APIs but this segment was demerged following which SSL became a pure-play animal health company. At present, SSL (consolidated) manufactures veterinary APIs and formulations in its wholly-owned subsidiary, Alivira Animal Health Limited (AAHL), and offers analytical services to the pharmaceutical industry through another wholly-owned subsidiary - Sequent Research Limited (SRL). SSL's (consolidated) portfolio consists of about 27 commercial products in animal health API and over 1000 products across 12 dosage forms. Post demerger of the human API business, it has 8 manufacturing facilities across India, Spain, Turkey, Brazil, and Germany.

## Investment Rationale

### Vertically Integrated animal healthcare player with a strong global footprint

SSL through its wholly-owned subsidiary has emerged as India's largest animal health company with a comprehensive portfolio covering animal feed, nutritional and therapeutic classes that address a multitude of species across therapy classes in key markets globally like Europe, LATAM, Turkey, India, Africa, SE Asia, France, US & Ukraine. Around 66% of SSL's revenues come from formulations while the balance 34% comes from APIs. 55% of SSL's revenues come from the global top 10 animal health companies. Geographically looked at, over 90% of its revenues coming from outside India. 47% of its formations were sold in Europe, Emerging markets accounted for 21%, Turkey 18% & 14% LATAM as of FY20.

### Formulations segment continue to gain momentum backed by increasing geographic expansion and the strong pipeline

Going forward, the larger part of the growth in the formulations segment will be driven by monetization of the injectables pipeline in the US and other regulated markets, which should begin from the end of FY22 with meaningful contribution inception from FY23. Moreover, the company intends to file 10+ new fillings in the US market with addressable market size of over \$500mn. We expect overall formulation revenue to register 15.3% CAGR over FY20-23E fueled by the ramp-up in supplies of existing products and possible commercialization of products in different geographies.

## Valuation and Outlook

SSL's strong business risk profile as a result of its large and diversified revenue streams across geographies and products. We believe the company is on the verge of reaping the full potential of its past investments, led by its ongoing R&D investments in first to market animal health generics and the creation of a strong injectable pipeline. Moreover, Carlyle's entry as the promoter would leverage its global network that can help Sequent accelerate business growth, strengthen the operation, and product innovation skills. Considering the expected strong growth in profitability, a healthy balance sheet with improving return ratios, we are optimistic about the long-term growth prospects of the company. We value the stock at INR 219 i.e. 26x P/E on FY23e EPS of INR 8.4. We assign a BUY recommendation to the stock.

| Key Financials          |         |        |        |        |        |
|-------------------------|---------|--------|--------|--------|--------|
| YE March (INR. In mn)   | FY19    | FY20   | FY21E  | FY22E  | FY23E  |
| Revenue                 | 10,393  | 11,792 | 13,406 | 15,563 | 18,957 |
| Growth (Y-oY)           | 22.6%   | 13.5%  | 13.7%  | 16.1%  | 21.8%  |
| EBIDTA                  | 1,249   | 1,703  | 1,988  | 2,187  | 3,310  |
| Growth (Y-oY)           | 50.6%   | 36.3%  | 16.7%  | 10.0%  | 51.4%  |
| Net Profit              | 487     | 699    | 971    | 1,190  | 2,094  |
| Growth (Y-oY)           | (88.5%) | 43.7%  | 38.8%  | 22.6%  | 76.0%  |
| Diluted EPS             | 2.0     | 2.8    | 3.9    | 4.8    | 8.4    |
| Growth (Y-oY)           | -88.5%  | 43.7%  | 38.8%  | 22.6%  | 76.0%  |
| Key Ratios              |         |        |        |        |        |
| EBIDTA (%)              | 12.0%   | 14.4%  | 14.8%  | 14.0%  | 17.5%  |
| NPM (%)                 | 4.7%    | 5.9%   | 7.2%   | 7.6%   | 11.0%  |
| RoE (%)                 | 7.2%    | 9.6%   | 12.3%  | 13.2%  | 19.7%  |
| RoCE (%)                | 7.2%    | 11.7%  | 13.8%  | 14.7%  | 18.8%  |
| Valuation Ratios        |         |        |        |        |        |
| P/E (x)                 | 86.8x   | 60.4x  | 43.5x  | 35.5x  | 20.2x  |
| EV/EBITDA               | 35.7x   | 26.3x  | 21.8x  | 19.4x  | 12.3x  |
| P/BV (x)                | 6.0x    | 5.7x   | 5.0x   | 4.4x   | 3.6x   |
| Market Cap. / Sales (x) | 4.1x    | 3.6x   | 3.1x   | 2.7x   | 2.2x   |

Source: Company, BP Equities Research

## Stock

|                    |                            |
|--------------------|----------------------------|
| Recommendation     | Buy at CMP and add on dips |
| Buying Range (INR) | 181-160                    |
| Target price (INR) | 219                        |
| Investment Horizon | Till Next New Year         |
| BSE code           | 512529                     |
| NSE Symbol         | SEQUENT                    |
| Bloomberg          | SEQ IN                     |
| Reuters            | SEQU.BO                    |

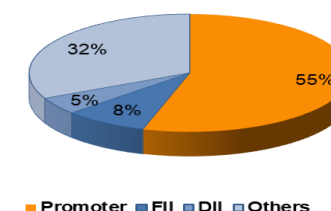
## Key Data

|                     |        |
|---------------------|--------|
| Nifty               | 14,132 |
| 52WeekH/L(INR)      | 181/52 |
| O/s Shares (mn)     | 248    |
| Market Cap (INR bn) | 44     |
| Face Value (INR)    | 2      |

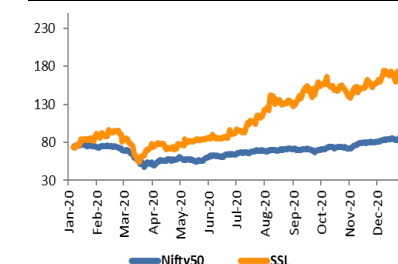
## Average volume

|          |           |
|----------|-----------|
| 3 months | 10,84,460 |
| 6 months | 20,86,810 |
| 1 year   | 17,62,320 |

## Share Holding Pattern (%)



## Relative Price Chart



## Disclaimer Appendix

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

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**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).

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