

Week Gone

- ⇒ In the week ended on Thursday, 9 September 2021, the Sensex rose 175.12 points or 0.30% to settle at 58,305.07. The Nifty 50 index gained 45.65 points or 0.26% to settle at 17,369.25.
- ⇒ The BSE Mid-Cap index added 323.10 or 1.33% to settle at 24,705.29. The BSE Small-Cap index advanced 54.20 points or 0.31% to 17,377.80.
- ⇒ The domestic equity barometers ended higher on Thursday, 9 September 2021. The barometer index, the S&P BSE Sensex, advanced 54.81 points or 0.09% to 58,305.07.

Week Ahead

- ⇒ Investors would keep a close watch on domestic and global macroeconomic data, along with trends in global markets, in truncated week ahead.
- ⇒ Investment by foreign portfolio investors (FPIs) and domestic institutional investors (DIIs) will also be watched.
- ⇒ On the macro front, the Industrial Production and Manufacturing data for July will be released on 10 September 2021.

Technical Overview

Index closed with a gain of 1.24% at 17585. Index opened the week on subdued note and remained strong throughout the week ending the week at record high levels with decent gains. Index continue to form higher highs and higher lows for fourth consecutive week. Going ahead index has an immediate support placed around 17480-17350-17200. While on the higher side resistance is seen at 17650-17730-17820.



Source: Falcon, BP Equities Research



Weekly Wealth

DOMESTIC INDICES

Index	17-Sep-21	09-Sep-21	Weekly % Chg
Nifty 50	17,585.1	17,369.2	1.2
Nifty Next 50	43,157.2	42,774.5	0.9
Nifty 100	17,864.5	17,652.9	1.2
Nifty 500	15,027.2	14,836.4	1.3
NIFTY MIDCAP 100	29,899.4	29,341.1	1.9
S&P BSE SENSEX	59,015.8	58,305.0	1.2
S&P BSE 100	17,870.6	17,650.2	1.2
S&P BSE 200	7,609.5	7,514.1	1.3
S&P BSE 500	23,902.1	23,606.9	1.3
S&P BSE MidCap	25,046.4	24,705.2	1.4
S&P BSE SmallCap	28,006.7	27,645.1	1.3

WORLD INDICES

Index	17-Sep-21	09-Sep-21	Weekly % Chg
Nikkei Index	30,500.0	30,008.1	1.6
Hang Seng Index	24,920.7	25,716.0	-3.1
Kospi Index	3,140.5	3,114.7	0.8
Shanghai SE Composite	3,613.9	3,693.1	-2.1
Strait Times Index	3,071.2	3,071.7	0.0
Dow Jones	34,751.3	35,031.0	-0.8
NASDAQ	15,181.9	15,286.6	-0.7
FTSE	7,022.8	7,018.0	0.1

FOREX

Currency	17-Sep-21	09-Sep-21	Weekly % Chg
US\$ (Rs.)	73.5	73.8	-0.4
GBP (Rs.)	101.4	101.5	-0.1
Euro (Rs.)	86.5	87.2	-0.8
Yen (Rs.) 100 Units	67.0	66.9	0.1

NIFTY TOP GAINERS (WEEKLY)

Scrip	17-Sep-21	09-Sep-21	Weekly % Chg
IndusInd Bank	1,130.0	999.5	13.0
Kotak Mahindra Bank	2,007.9	1,817.8	10.4
ITC Ltd.	231.1	212.6	8.7
NTPC	123.7	114.5	8.0
Bharti Airtel	728.1	686.1	6.1

FII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
16-Sep-21	11,766.9	10,145.0	1,621.8
15-Sep-21	11,172.4	10,939.5	232.8
14-Sep-21	10,755.8	9,106.2	1,649.6
13-Sep-21	8,682.1	7,262.8	1,419.3
09-Sep-21	10,253.0	9,829.5	423.4
<u>MTD</u>	52,630.4	47,283.3	5,347.1

NIFTY TOP LOSERS (WEEKLY)

Scrip	17-Sep-21	09-Sep-21	Weekly % Chg
Bharat Petroleum	436.2	491.1	-11.1
Tata Steel	1,385.9	1,447.0	-4.2
Hindustan Unilever L	2,722.2	2,810.6	-3.1
UltraTech Cement	7,711.8	7,939.6	-2.8
UPL	742.3	757.9	-2.0

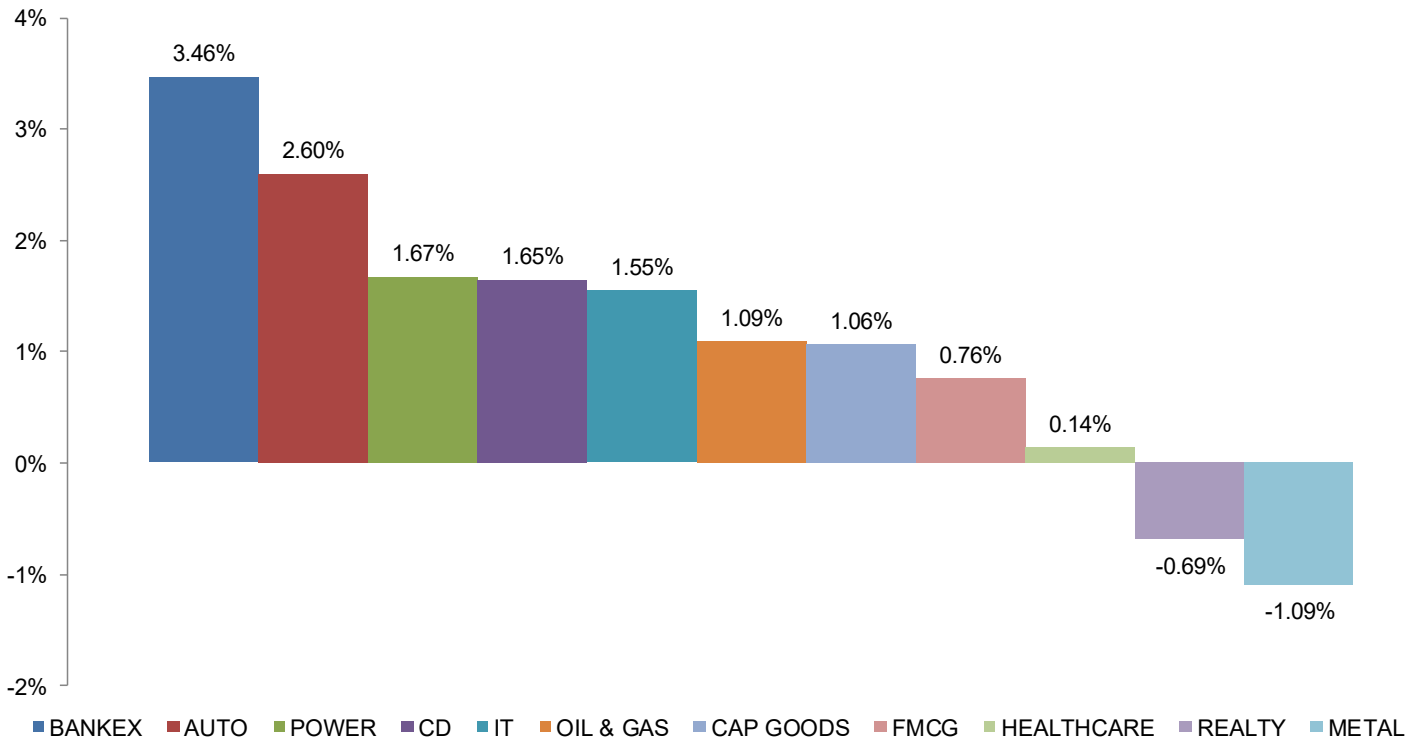
DII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
16-Sep-21	6,905.2	7,700.4	-795.1
15-Sep-21	7,452.6	7,284.9	167.6
14-Sep-21	5,613.3	5,923.6	-310.3
13-Sep-21	4,163.8	4,723.4	-559.5
09-Sep-21	5,229.6	4,525.3	704.2
<u>MTD</u>	29,364.7	30,157.9	-793.2

Weekly Wealth

BSE WEEKLY SECTORAL PERFORMANCE



Source: BSE, BP Equities Research

TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	09-09-21	17-09-21	Weekly % Chg	09-09-21	17-09-21	Weekly % Chg
	Share Price (Rs.)			Open Interest		
IPCALAB	2526.3	2497.5	-1.1	167850	327375	95.0
SYNGENE	632.7	647.9	2.4	999600	1627750	62.8
NAVINFLUOR	3969.6	3875	-2.4	473625	717975	51.6
ADANIENT	1550.7	1486.4	-4.1	16205000	23820000	47.0
IRCTC	3302.7	3870.3	17.2	1664325	2356250	41.6

TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	09-09-21	17-09-21	Weekly % Chg	09-09-21	17-09-21	Weekly % Chg
	Share Price (Rs.)			Open Interest		
ZEEL	183.4	256.7	40.0	74454000	49776000	-33.1
NAM-INDIA	440.6	439.1	-0.3	4632000	3235200	-30.2
KOTAKBANK	1818.6	2002.7	10.1	18551600	13788000	-25.7
LICHSGFIN	411.1	419.1	2.0	23326000	17636000	-24.4
IDEA	8.4	11.3	33.7	777280000	591570000	-23.9

Pharmaceuticals

Company Background

Granules India Limited is an Indian pharmaceutical manufacturing company based in Hyderabad, India. Granules India Ltd and its subsidiaries are primarily involved in the manufacturing and selling of Active Pharma Ingredients (APIs), Pharmaceutical Formulation Intermediates (PFIs) and Finished Dosages (FDs). Granules manufactures several off-patent drugs, including Paracetamol, Ibuprofen, Metformin and Guaifenesin, on a large scale for customers in the regulated and rest of the world markets. Granules India is the preferred supplier for some of the world's leading pharma branded and generics companies. The company has a global presence across over 60 countries servicing over 250 customers.

Investment Rationale

Strong product pipeline coupled with geographic expansion to drive the FD growth

In Q1FY22, Formulation segment contribution remained at similar levels (~53%), APIs and PFIs contributed ~26% and ~20% respectively vs. ~29% and ~19% a year ago. Geography-wise the regulated market contributed ~70% to the revenue. During the quarter GIL filed one ANDA, two EU dossiers, one UK dossier and one South African dossier. The company has received one ANDA approval and launched one ANDA in the US. On a cumulative basis, GIL has 45 ANDAs approved (including 2 tentative approvals) with 21 pending approvals. The company has guided for 7 to 8 ANDA filings on an annual basis. The company's focus on developing differentiated products such as controlled substances, modified & extended-release and oral suspensions/solutions garner better profitability. We believe FY21-23E to be healthy on a revenue front, on the back of ramping up of fresh capacities and expected 7-8 (including limited competition products) US generic launches every year. We modeled 26.2% revenue growth in the formulation segment with a revenue share increase (58.6% in FY23E vs. 52.5% in FY21).

API business to recover from H2FY22

During Q1FY22 performance of API business was impacted by disruptions in supply of Paracetamol KSM (PAP – Para-amino-phenol) which also resulted in a steep gross margin contraction. However, management expects this issue to be resolved in H2FY22, as the supplies of the said KSM are likely to commence. With the easy availability of KSMs and steady demand for APIs, we expect a 9.9% revenue CAGR in this segment over FY21–FY23e.

Valuation and Outlook

Over FY21-23E, GIL is expected to post 19.4%/17.3%/17% Revenue/EBITDA/PAT CAGR with >24% return ratios. Despite near-term challenges related to KSM supply, we remain optimistic about the long-term growth prospects of the company on the back of better growth in profitability, a healthy balance sheet, and improving return ratios. At the CMP (INR 328), the stock trades at 10.8x FY23e EPS and 6.7x EV/EBITDA. We believe the stock to witness gradual re-rating on the back of a stronger product pipeline and improved return ratios. We give a 'BUY' rating on the stock with a target price of INR 425 per share, valuing the company at 14x of its FY23e earnings.

Stock Rating

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

Sector Outlook

Positive

Stock

CMP (INR)	327
Target Price (INR)	425
NSE Symbol	GRANULES
BSE Code	532482
Bloomberg	GRAN IN
Reuters	GRAN.BO

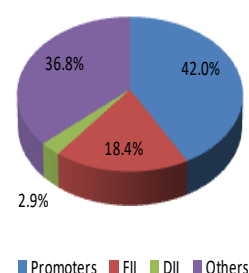
Key Data

Nifty	17585.1
52WeekH/L(INR)	438/295
O/s Shares (Mn)	248
Market Cap (INR bn)	82.4
Face Value (INR)	1

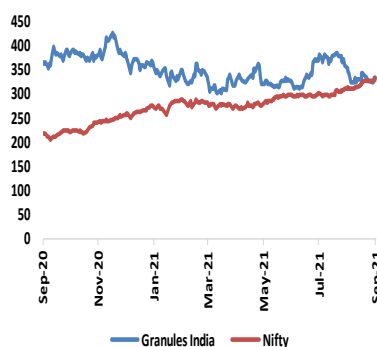
Average volume

3 months	43,27,930
6 months	42,21,020
1 year	32,85,970

Share Holding Pattern (%)



Relative Price Chart



Weekly Wealth

Key Financials					
YE March (INR Mn)	FY19	FY20	FY21	FY22E	FY23E
Revenue	22,792	25,986	32,375	37,405	46,138
<i>Revenue Growth (Y-o-Y)</i>	35%	14%	25%	16%	23%
EBIDTA	3,840	5,253	8,552	8,677	11,769
<i>EBIDTA Growth (Y-o-Y)</i>	38%	37%	63%	1%	36%
Net Profit	2,364	3,354	5,495	5,624	7,520
<i>Net Profit Growth (Y-o-Y)</i>	78%	42%	64%	2%	34%
Diluted EPS	10	14	22	23	30
<i>Diluted EPS Growth (Y-o-Y)</i>	78%	42%	64%	2%	34%
Key Ratios					
EBIDTA margin (%)	16.8%	20.2%	26.4%	23.2%	25.5%
NPM (%)	10.4%	12.9%	17.0%	15.0%	16.3%
RoE (%)	16.7%	19.9%	27.4%	23.1%	24.6%
RoCE (%)	12.6%	16.3%	27.1%	23.9%	26.3%
Valuation Ratios					
P/E (x)	38.8x	27.3x	16.7x	16.3x	12.2x
EV/EBITDA	26.1x	18.4x	11.3x	10.8x	7.6x
P/BV (x)	6.0x	5.0x	4.2x	3.4x	2.7x
Market Cap. / Sales (x)	3.6x	3.1x	2.5x	2.2x	1.8x

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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