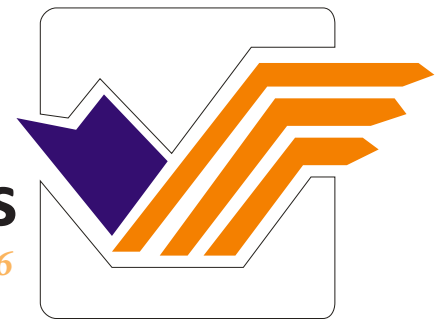


# V. Jethalal Ramji Share Brokers

.... Tracking Market Since 1906



## Market Update

### Litmus test in the offing

The Indian stock market has been on a roller-coaster ride in the last two weeks or so. However, despite such ups & downs along with the concerns related to the global events, Nifty has maintained its rhythm of not correcting more than 3-4 per cent from its recent swing high of April 2021. The recent decline from the all-time high also halted at 2.76 per cent, which clearly indicates that the template is of 'buy on dips' and not of 'sell on rallies'. However, the problem with the buy-on-dips template is that when the market actually declines, the sentiments turn so fearful that it makes us feel that the decline could extend. However, within no time, the bulls make a strong comeback and the rest, as is said, is history.

A similar sort of plot was quite visible in the last week (to be precise on Wednesday) wherein, the stocks, as well as Nifty, tumbled down. The formation of a bearish engulfing pattern would have scared the life out of investors. Even the permabull investor (someone who consistently acts in the expectation that the value of stocks & shares will rise) could have easily been jaded as there were multiple concerns at the back of the mind such as valuations, which still remain elevated. In the meanwhile, inflation is proving to be stickier than expected and US Federal Reserve is likely to move forward with 'tapering' their balance-sheet purchases in November.

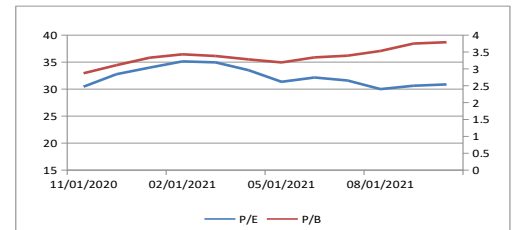
In such a time, the best way to make money is to be with the trend. If you take into account the weekly chart of Nifty, we haven't seen a significant lower low, which makes us believe that any decline should not be viewed as negative. Rather, any decline should be capitalised on to focus on ideas emerging after forming sound bases with improved relative strength performance. Some key developments that took place on the domestic front include the global rating agency - Moody's Investors Service retaining the lowest investment grade rating on India's sovereign rating but changing the outlook from 'negative' to 'stable'.

This move is a good one for India since it indicates to the world that the Indian economy is turning the corner and poised for a big leap forward while also highlighting the immense potential that India offers as a global investment destination. Furthermore, the upgrade would result in bringing down the cost of borrowing in the international market due to the fact that India can issue its debt at lower interest rates. Having said that, the market participants should closely watch the movement of the US dollar index and the US bond yields. Technically, they are close to a very important level, and sustaining above these important technical levels could potentially lead to upside breakouts in the US dollar index and US bond yields.

Also, one should closely track the movement of crude oil prices as recently, the oil prices have jumped to the highest level since October 2018. And these are expected to stay firm in view of the forthcoming harsh winter. The sharp rise in global energy prices is a matter of serious concern for all. The prices of natural gas & coal are now at multi-year highs. The sharp inflation in energy prices is becoming a global crisis and is seen as a major threat to global economic recovery. Going forward, the market participants will look towards India Inc's September quarter earnings, which kicked off with IT bellwether TCS. Thus, the next couple of weeks are going to be a litmus test for the market. We would continue to advise our readers to follow the trend and not panic until we make a lower low on the weekly chart.

## Oct - Dec., 2021

Valuation Matrix Performance of Sensex



### International Markets

Exchange	11 Oct., 21	1 year change (%)	52-week L/H
Bovespa	112,833.00	15.75	93,387/1,31,190
CAC 40	6,546.00	32.61	4512.57/6913.67
DAX	15,144.70	16.51	11,450.08/16,030.33
Dow Jones	34,746.25	21.55	26,143.77/35,631.19
FTSE 100	7,122.09	17.93	5,525.52/7,224.46
Hang Seng	25,325.09	2.98	23,681.44/31,183.36
Nasdaq	14,579.50	25.90	10,822.6/15,403.4
Nikkei 225	28,498.20	20.28	22,948.47/30,795.78

### Top Gainers

Company	11 Oct., 21	11 Sept., 21	% Change
Gujarat Alkalies	809.10	464.25	74.28
Zee Entertainmen	304.45	182.95	66.41
Godrej Propert.	2,369.70	1,581.35	49.85
I R C T C	4,772.85	3,295.10	44.85
Tata Power Co.	191.55	132.75	44.29

### Top Losers

Company	11 Oct., 21	11 Sept., 21	% Change
Solara Active	1418.60	1688.25	-15.97
Cams Services	3133.20	3686.70	-15.01
Cummins India	908.75	1043.45	-12.91
Spandana Sphoort	558.10	630.50	-11.48
Dalmia BharatLtd	2075.85	2332.15	-10.99

### Performance Of Other Indices

Index	Price (Rs)	1 Year change (%)
S&P BSE SMALLCAP	29,506.36	95.97
S&P BSE 500	24,534.94	57.67
S&P BSE Auto	25,487.78	34.85
S&P BSE BANKEX	43,635.23	59.48
S&P BSE CAP GOODS	26,432.59	90.76
S&P BSE FMCG	14,838.61	32.80
S&P BSE HEALTHCARE	26,306.23	29.05
S&P BSE IT	34,726.36	62.46
S&P BSE Metal	20,676.97	147.00
S&P BSE Oil & Gas	19,081.08	55.84
S&P BSE REALTY	4,210.04	143.51
S&P BSE POWER	3,377.01	101.98



## DIVI'S LABORATORIES LIMITED

Divi's Laboratories Limited is engaged in the manufacturing & selling of generic active pharmaceutical ingredients (APIs) and intermediates for the United States, Asia, Europe, and internationally. It has manufacturing, as well as research & development facilities located in the states of Andhra Pradesh and Telangana in India. Divi's Laboratories collaborates with innovator companies through the early drug development stage to the commercialisation stage. With two manufacturing units and a market presence across approximately 95 countries, a team of around 17,000 people, a portfolio of almost 130 products across diverse therapeutic areas, it is one of the largest API companies in the world.

The company derives nearly 90 per cent of revenue from generic APIs and custom synthesis for innovator companies while nutraceuticals contribute the rest of the revenue. In the last three years, the company's consolidated net sales have recorded 21.21 per cent CAGR to reach Rs 6,969.4 crore in FY21. Similarly, PBIDT and PAT have grown at a CAGR of 31.36 per cent & 31.28 per cent, respectively, between FY18 and FY21.

### API - the key growth driver:

The COVID-19 pandemic has brought about a huge opportunity for Indian pharma API manufacturers such as Divi's because global and Indian pharma companies are now looking for an alternative to China for sourcing APIs as an alternative channel. Moreover, the standoff between the two countries and the restrictions on Chinese imports has forced India to become self-reliant on several key essential items. Pharma APIs are one such essential item that India used to import from China and would source nearly 70 per cent of APIs through imports. This changed when the government announced a package of Rs 10,000 crore, a first-ever stimulus package for the domestic API manufacturers. Divi's is one of the leading players in the API space with close to 50 per cent of its revenue coming from generic APIs and is well-poised to grow in the years ahead.

Divi's has an established hold in certain generics, where it holds a 60-70 per cent market share. It is now increasing the capacities of existing generic molecules where it has a 20-30 per cent share and aims to reach the 60-70 per cent mark in the next few years. The company has identified \$20 billion APIs going out of patent in 2023-2024 for which, it has developed technologies and will be filing soon.

### Custom synthesis segment is on strong footing:

Divi's is engaged in custom synthesis (contract manufacturing services) of APIs and intermediates for global innovator companies with a vast portfolio of products across diverse therapeutic areas. It is engaged with 6 out of 10 pharma companies (in terms of revenue) across the US, EU, and Japan for more than 10 years. Its longstanding relationships with customers, cost competitiveness, and innovation strengths are also some of the reasons that make it a preferred play. The high entry barrier in contract manufacturing offers the company superior growth, a high margin, and a strong return profile as compared to other pharma generic businesses. Divi's has benefitted due to the early mover advantage in this segment and its strict adherence to Intellectual Property Rights (IPR) norms.

The size of the global contract manufacturing industry is around US\$ 100 billion, which is growing at 7-8 per cent annually. Thus, the long-term growth outlook of Divi's contract research manufacturing is strong. Divi's in its recent call conference with investors announced two big long-term custom synthesis projects in the pipeline and is expecting to see a huge advantage over the next few years.



BSE Code : 532488

CMP : ₹5145.25

Target Price : ₹6278

### Company Details

Industry	Pharmaceuticals & Drugs
Chairman	Ramesh BV Nimmagadda
Managing Director	Murali K Divi
Company Secretary	M Satish Choudhury
ISIN Code	INE361B01024
Bloomberg Code	DIVI IN
BSE Code	532488

### Key Market Ratio

Latest Date	11-Oct-21
Latest Price (Rs)	5145.25
Previous Close (Rs)	5070.95
1 Day Price Var %	1.47
1 Year Price Var %	61.21
52 Week High (Rs)	5313.8
52 Week Low (Rs)	3015
Beta	0.66
Face Value (Rs)	2
Industry PE	33.35
TTM Period	202106
TTM EPS (Rs)	77.2
TTM CEPS(Rs)	87.47
Price/TTM CEPS(x)	58.79
TTM PE (x)	66.61
Price/BV(x)	13.86
EV/TTM EBIDTA(x)	43.46
EV/TTM Sales(x)	18.67
Dividend Yield%	0.39
MCap/TTM Sales(x)	18.97
Latest Book Value (Rs)	371.11
Market Cap (Rs in Crores)	136590
EV (Rs)	134435
Latest no. of sharesCrores	27

### Share Holding Pattern as on 202106

Promoter No of shares (Rs in Crores)	11 Oct 2021
Promoter %	0.66
FII No of Shares (Rs in Crores)	2
FII %	33.35
Total No of Shares (Rs in Crores)	202106
Free Float %	77.2



### Better business opportunities in the Sartan space:

In the recent call conference with investors, the management has stated that Divi's has a huge advantage in the Sartan space due to the widely reported nitrosamine impurity in the Sartan family of drugs. In the USA, the European Union, and Australia, there is a prohibition on the sales of popular Sartans due to certain nitrosamine impurities in the manufacturing process, which can break down into a potent carcinogen called N-Nitroso-dimethylamine or NDMA. Companies that make Sartan medicines are being required to review their manufacturing processes so that they do not produce these nitrosamine impurities. Divi's, however, has strong backward integration and also, developed raw materials for all the Sartans, unlike several intermediates, which are buying its intermediates from different vendors across the world. This not only gives Divi's a huge cost advantage but also, helps the company in controlling the impurities. Hence, it is one of the few companies in the world where USFDA has no objection to the manufacturing of these drugs. This will enable the company to quickly gain market share in this space.

### A beneficiary of Capex plans:

Divi's has seen the benefit of operations from the Capex programmes taken up by the company. The debottlenecking and backward integration programmes (Capex in the range of Rs 2,500 crore) taken up during the last 2-3 years have become fully operational and also, reduced dependence on key starting materials besides achieving productivity & cost-efficiency. These benefits come at a time when peers are facing issues in terms of raw material and logistics cost increases.

In FY21, Divi's took up two brownfield projects called DCV SEZ Unit in Visakhapatnam (Andhra Pradesh) and DC SEZ Unit in Telangana with an estimated investment of Rs 600 crore each. The new brownfield DC & DCV SEZ units and the debottlenecking programmes taken up by the company during the last year

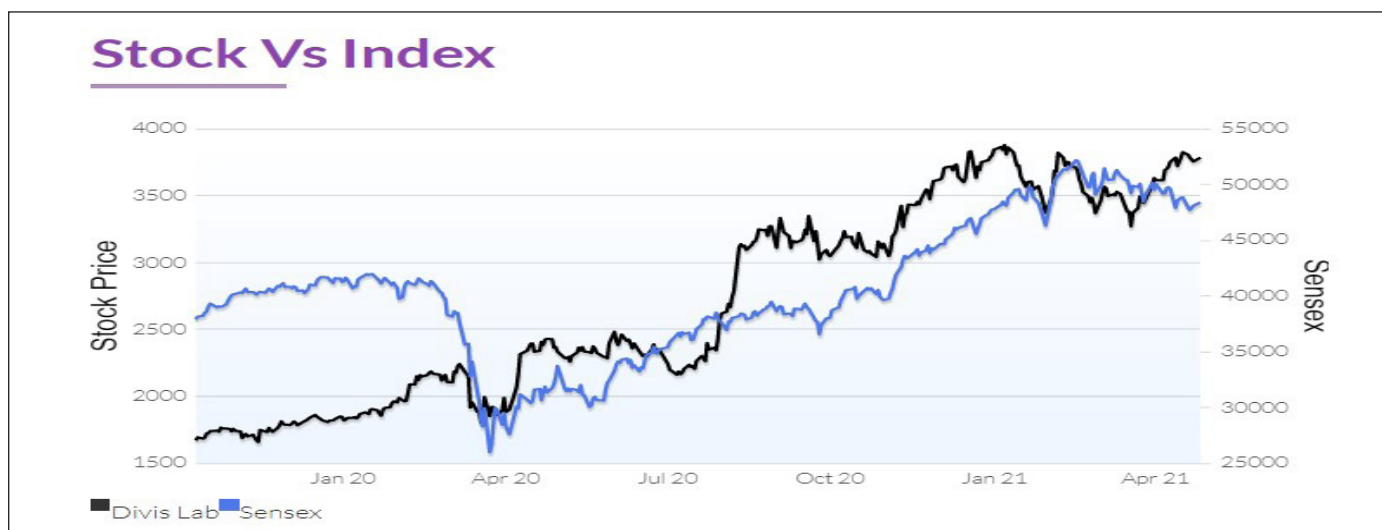
have become fully operational. A part of the Capex programme taken up with an estimated investment of Rs 400 crore, for fast-tracking a customs synthesis project, came into operations during March 2021 while the rest of this project will be completed and begin utilisation during H1FY22. Looking ahead, in the next 2-3 years, the management is looking at additional Capex in the range of Rs 1,000 crore-Rs 2,000 crore (Kakinada and Krishnapatnam projects).

### Financials:

In Q1FY22, the company recorded revenue growth of 13.3 per cent YoY and 9.64 per cent QoQ to Rs 1,960.64 crore, led by export business (89 per cent of total revenue) and higher volume along with favourable product mix of generics as well as custom synthesis (50:50 product mix). The nutraceuticals business posted revenue of Rs 138 crore (around 8 per cent of total revenue). Resultantly, PBIDT (ex OI) grew by 21.71 per cent YoY, with the corresponding margin improving 300 bps YoY, partially offset by higher employee benefit and other expenses. PAT rose by 13.2 per cent YoY to Rs 557.11 crore while PAT margin stood at 28.41 per cent.

### Outlook:

At CMP, Divi's Labs is trading at a TTM PE of 66.61x, as compared to the industry average of 33.35x, commanding a premium valuation, given to the immense growth potential of the company. In terms of return ratios, the five-year average RoCE and RoE stood at 27.27 per cent and 20.34 per cent, respectively. The company is debt-free while the promoters hold a 51.95 per cent holding in the company, a holding that remains unpledged. Given the company's strong pipeline, Capex plans, a favourable mix of generics & custom synthesis (50:50) as well as backward integration capability, there is a strong long-term growth potential for the company. Considering all these factors, we give a price target of Rs 6,278 for a period of two years.



### RECENT NEWS

**May 26, 2021:** Divis Laboratories has informed that Divi's Laboratories (Divi's) is MSD's Authorized manufacturer for Molnupiravir API and they are allowed to supply this API to MSD's VL partners in India.



## Profit and Loss - Consolidated

(Rs in Crore)

Particulars	Mar 2021	Mar 2020	Mar 2019	Mar 2018	Mar 2017
<b>INCOME</b>					
Net Sales	6969.40	5394.42	4946.26	3912.78	4106.26
Total Income	7031.96	5584.05	5101.89	4026.22	4181.15
Other operating income	0.00	0.00	0.00	0.00	0.00
Net Sales & Other Operating Income	6969.40	5394.42	4946.26	3912.78	4106.26
<b>EXPENDITURE</b>					
Total Expenditure	4109.46	3572.25	3074.42	2651.07	2660.23
(Increase) / Decrease In Stocks	-78.67	-105.98	-304.59	3.33	-40.82
Raw Material Cost	2397.44	2198.41	2103.89	1528.57	1572.75
Purchase of Finished goods	5.31	16.11	25.92	2.16	2.07
Manufacturing Expenses	959.62	842.66	706.93	660.95	626.33
Employees Cost	825.76	621.05	542.27	456.06	499.90
PBIDT (Excl OI)	2859.94	1822.17	1871.84	1261.71	1446.03
Other Income	62.56	189.63	155.63	113.44	74.89
Foreign Exchange Gain			30.86	27.95	
Other Income	62.56	189.63	124.77	85.49	74.89
Operating Profit	2922.50	2011.80	2027.47	1375.15	1520.92
Interest	0.87	6.10	3.50	1.33	2.25
PBDT	2921.63	2005.70	2023.97	1373.82	1518.67
Depreciation	255.59	186.24	168.90	142.49	123.33
Profit / Loss from ordinary activities before tax	2666.04	1819.46	1855.07	1231.33	1395.34
Tax	681.75	442.92	502.33	354.32	334.92
Current Tax	616.46	392.79	475.51	289.83	285.23
Deferred Tax	65.29	50.13	26.82	64.49	49.69
PAT	1984.29	1376.54	1352.74	877.01	1060.42
Minority Interest	0.00	0.00	0.00	0.00	0.00
Shares of Associates	0.00	0.00	0.00	0.00	0.00
Consolidated Net Profit	1984.29	1376.54	1352.74	877.01	1060.42
Equity Capital	53.09	53.09	53.09	53.09	53.09
Face Value (IN RS)	2.00	2.00	2.00	2.00	2.00
Reserves	9241.52	7256.83	6904.06	5871.71	5304.30



## Two Buzzing Stocks

### Shipping Corp. of India

BSE Code : 523598

52 Week High / Low : ₹139.95/₹49.80

Face Value : ₹10

Shipping Corporation of India Limited (SCI) is the largest Indian shipping company by shares and is involved in the business of transporting goods. SCI's owned fleet includes bulk carriers, crude oil tankers, product tankers, container vessels, passenger-cum-cargo vessels, phosphoric acid/chemical carriers, LPG/ammonia carriers, and offshore supply vessels. As the country's premier shipping line, SCI owns & operates around one-third of the Indian tonnage and has operating interests in practically all areas of the shipping business; servicing both national as well as international trades.

In Q1FY22, revenue de-grew by 10.11 per cent to Rs 1,027.84 crore as compared to Rs 1,143.46 crore in Q1FY21. PBIDT (ex OI) fell by 33.62 per cent to Rs 335.34 crore in Q1FY22 from Rs 505.22 crore in the same period for the previous fiscal year while the corresponding margin contracted to 32.63 per cent in Q1FY22 from 44.18 per cent in Q1FY21. The lower revenue and weaker operational performance translated to the bottom line of the company, falling by 54.19 per cent to Rs 145.45 crore.

SCI received ministry approval for its draft scheme of arrangement for the demerger of its non-core assets. On September 16, 2021, the Ministry of Ports, Shipping & Waterways approved the scheme that mandates the formation or incorporation of a new wholly-owned subsidiary for the demerger of non-core assets of the company. The announcement sparked a rally in the stock price of SCI, which was further compounded by the broad-based rally in the stock price of PSU companies.

Investors are seeing value in PSU stocks that have been underperforming during the previous rallies and are now available at attractive valuations compared to other stocks, which are now running at very high valuations. From its 52-week low level of Rs 49.80 on November 04, 2020, the stock of SCI has recovered by 179.11 per cent.



### Mishra Dhatu Nigam Ltd.

BSE Code : 541195

52 Week High / Low : ₹221.80/₹172.90

Face Value : ₹10

Mishra Dhatu Nigam Limited (MIDHANI) primarily caters to the needs of critical materials and alloys required by strategic sectors of our country like defence, space, atomic energy, aeronautics, etc. MIDHANI is one of the leading manufacturers of special steels, superalloys and the only manufacturer of titanium alloys in India. MIDHANI has been set up to achieve self-reliance in the production & supply of various superalloys, special steels, materials to defence, other strategic sectors for nuclear, aeronautical, and space applications.

In Q1FY22, MIDHANI reported revenue of Rs 112.95 crore, down by marginally 0.48 per cent from Rs 113.50 crore in Q1FY21. PBIDT (ex OI) was reported at Rs 25.52 crore, up by 336.93 per cent from the low base of Rs 5.84 crore in the same period last year. The corresponding margin expanded to 22.38 per cent in Q1FY22 from 5.15 per cent in Q1FY21. The company reported a net profit of Rs 18.81 crore in Q1FY22 against a net loss of Rs 0.92 crore in Q1FY21.

Considering the increase in the global market demand for body armour, vehicle armouring, bulletproof morcha, bullet-resistant jackets, etc, and to cater to the needs of the domestic market, a new unit of MIDHANI is being set up at Rohtak (Haryana). The major construction activities for Phase-I have been completed while work for Phase-II is still in progress. Equipment like fibre cutting machine, water jet cutting machine, hydraulic ballistic press, CNT spray machine, etc. is under final stages of installation and commissioning. In addition, to ensure self-reliance in the production of sheets of high-strength steel and other strategic materials plates, armour plates, etc, a wide plate rolling facility is being set up. The project is in the advanced stage of erection and commissioning.

From its 52-week low level of Rs 172.90 on October 29, 2020, the stock of MIDHANI has recovered by 13.47 per cent.





## Market Statistics

### DIVIDEND BECOME EX-DATED IN FORTHCOMING DAYS

Company Name	Dividend (%)	Ex Div Date	Company Name	Dividend (%)	Ex Div Date
Man Infracon	63.00	13 Oct., 2021			
TCS	700.00	14 Oct., 2021			

### NET INVESTMENT IN EQUITY MARKETS (₹/CR)

Days	FII's	DII's
08 Oct., 2021	-1108.40	-168.19
07 Oct., 2021	-783.40	2528.64
06 Oct., 2021	587.48	-998.69
05 Oct., 2021	3232.10	1868.23
04 Oct., 2021	1594.90	228.06
01 Oct., 2021	-1992.37	-613.08
30 Sept., 2021	1343.39	97.18
29 Sept., 2021	-1877.18	3262.16
28 Sept., 2021	-419.32	161.45
27 Sept., 2021	570.45	1397.69
24 Sept., 2021	615.68	-515.85

### EX-BONUS

Company Name	Ex-Bonus Date	Current Holding	Ratio Offered
SRF Ltd.	13 Oct., 2021	1	4
Advitiya Trade India Ltd.	13 Oct., 2021	100	44
KKV Agro Powers Ltd.	14 Oct., 2021	4	1
Crown Lifters Ltd.	18 Oct., 2021	1	4

### SPLIT DECLARED IN LAST FEW DAYS

Company Name	Date Of Announcement	Old Face Value	New Face Value
Tirupati Forge Ltd.	07 Oct., 2021	10	2
Affle (India) Ltd.	07 Oct., 2021	10	2
Anupam Finserv Ltd.	06 Oct., 2021	10	1
Alphalogic Techsys Ltd.	05 Oct., 2021	10	5

### CONTINUOUSLY MOVING UP

CompanyName	Oct 11	Oct-08	Oct-07	Oct-06	Oct-05
7NR RETAIL	12.92	11.76	11.37	10.34	9.85
7SEAS TECHNO	23.80	21.65	19.70	17.95	17.35
AADI INDUS	3.58	3.41	3.25	3.10	2.96
AANCHALISPAT	10.67	10.17	9.79	9.33	8.89
AAVAS FINANC	2757.35	2706.55	2649.30	2612.55	2598.85

### RECENT ANNOUNCEMENTS

**Page Industries:** Page Industries is aiming to become a one-billion-dollar company in the next five years, growing almost 2.5 times as the company expands its product portfolio and reach in the markets. The company is opening the 1,000th exclusive brand store (EBS) of Jockey in India, is focusing on deeper penetration for accelerated growth and aims to double the number of stores in the coming years with a special focus on smaller tier II & III markets besides the metro markets.

**Power Mech Projects:** Power Mech Projects has received a Letter of Intent/LOAC for two projects worth Rs 448.60 crore. The company has received an order for Operation & Maintenance of 2X660 MW Mutiara Thermal Power Plant, Melamaruthur Village, Tuticorin, for Coastal Energen for Rs 391 crore. The company has also received an order for Miscellaneous Civil Works for Screening Plant-III, Kirandul, Chattisgarh for NMDC of Rs 57.60 crore.

**Affle (India):** Affle (India) has received 2 patents from US Patent & Trademark Office (US PTO). One patent, bearing Patent no 11157952 and date of issue as of October 26, 2021, is related to the technology of 'Creating a decentralized repository of fraud IPs and publishers using Blockchain'. Another patent, bearing Patent no 11151605 and date of issue as of October 19, 2021, is related to the technology of 'Click to install behaviour-based detection of fraud'. With these two patent grants, Affle now has 6 US Patents granted along with multiple other patents filed and pending across the US, India and Singapore.

**Alembic Pharmaceuticals:** Alembic Pharmaceuticals has received Establishment Inspection Report (EIR) from the US Food and Drug Administration (USFDA) for the inspection carried out at New Injectable Facility (F-3) at Karakhadi, Gujarat during the period from January 28, 2021, to February 06, 2021, indicating that the USFDA finds company's responses to their observations to be adequate. USFDA has also indicated that compliance verification would be performed during re-inspection of the said Facility in the next review cycle.

**Radico Khaitan:** Radico Khaitan has unveiled two new luxury products in the brown and white spirit categories. Magic Moments Dazzle Vodka, the luxury brand extension of the Company's flagship brand, Magic Moments Vodka and Royal Ranthambore Heritage Collection-Royal Crafted Whisky mark the onset of the festival season for Radico Khaitan who has been synonymous with innovation and premium quality offerings to the Indian spirits market.

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