

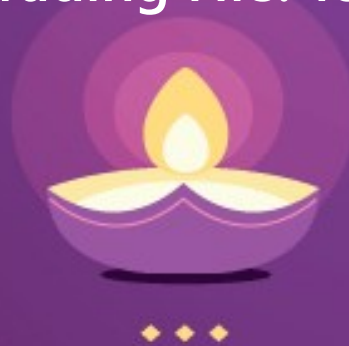


# Diwali Picks

Samvat 2080

Muhurat Trading on Sun, 12<sup>th</sup> Nov 2023

Normal Trading Hrs: 18:15 to 19:15



## Muhurat Picks 2023

STOCK NAME	SECTOR	CMP	TARGET PRICE	POTENTIAL UPSIDE (%)
DR. REDDY LABORATORIES LTD	Pharmaceuticals	5263	6163	17%
UNION BANK OF INDIA	Banks	105	137	31%
OBEROI REALTY LTD	Realty	1232	1476	20%
PI INDUSTRIES LTD	Agrochemicals	3489	4013	15%
GREENLAM INDUSTRIES LTD	Consumer Durables	554	635	15%

Prices as on Nov 03, 2023

**Invest Now** 

## Business Operation

Dr. Reddy's Labs a Hyderabad-based global pharmaceutical company, known for research, manufacturing. Operates in 25+ countries, specializes in cardiovascular and oncology drugs. Its Top revenue contributors includes nervous system, gastrointestinal, anti-infective. It 83% Revenue from global generics, 14% from Pharma API, and the rest from proprietary products.

## Investment Rationale

### A. Backward Integration Across Product Value Chain.

The Pharmaceutical Services and Active Ingredients (PSAI) segment of DRL contributed 12% to its FY2023 revenues. Additionally, the API business not only serves external partners but also provides APIs to DRL's in-house generic operations. This backward integration strategy offers a substantial cost advantage to DRL and bolsters its overall profit margins. Furthermore, DRL has ambitious plans to further backward-integrate more than 70% of its key molecules within the next 4-5 years, ensuring a continued positive impact on its margin profile.

### B. Strong Products Pipeline to Steer growth for Next 4-5 years.

In FY2023, Dr. Reddy's has strategically built a robust portfolio for upcoming launches. They have submitted 85 ANDA filings to the US FDA, with 43 of them under Para IV and an additional 17 anticipated to be granted First-to-File (FTF) status. This extensive pipeline consists of 54% complex generics, which are expected to drive growth over the next 4-5 years. Looking ahead to FY24, they plan to introduce 25-30 new products, including injectables, to further propel their growth trajectory.

### C. USA Sales Rebound and Got Traction in Q2FY24.

Dr. Reddy's reported strong growth in the US during Q2FY24, with a 12% YoY increase in US revenue, reaching US\$384 million. This growth was driven by their core portfolio, increased gRevlimid sales, Mayne integration, and favorable forex rates, despite some price erosion. However, they experienced a slight 1.9% QoQ decline, primarily due to price erosion. In Q2FY24, the company launched four new products, with plans for 25-30 more material launches. They anticipate a US revenue CAGR of 10.8% for FY23-26E, including gRevlimid sales and new launches.

### D. Outlook And Recommendation.

We model a Revenue/PAT CAGR of 16%/15.1% and estimate DRREDDY to clock PAT of Rs 5975 Cr by FY25E. DRREDDY is trading at forward PER (x) of 14.9 (Sharp discount to historical median of 25x) and we value at 17.7(x) FY25E and Recommend BUY on DRREDDY with Target Price of Rs. 6163.

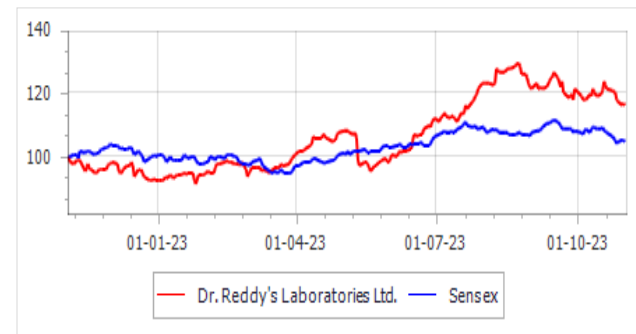
## Script Details

BSE Group	A
BSE Code	500124
NSE Code	DRREDDY
Bloomberg Code	DRRD IN
Market Cap (INR Cr.)	88,969
Free Float (%)	73.3%
52wk Low/High	5986/4177
Beta (1yr Nifty 50)	0.00
Face Value (INR)/ D. Yield (%)	5/0.7
Total paid Up Shares (Mn.)	166.8

## Financial Highlights

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (X)
FY22	21,545	3,788	2,182	26.9	14.8
FY23	24,670	6,470	4,507	21.1	12.3
FY24E	28,617	7,154	5,151	17.3	12.2
FY25E	33,196	8,299	5,975	14.9	10.5

## Share Price Relative Performance



## Business Operation

Union Bank of India, a major Indian public sector bank, headquartered in Mumbai, was established in 1919. The government owns 76.99% of its shares. It merged with Andhra Bank and Corporation Bank in 2020, has a vast network, and significant international presence. As of June 2023, its total business stands at Rs. 19,46,509 crore, with notable awards for technology and banking innovations. It was the first large public sector bank in India to implement 100% core banking.

## Investment Rationale

### A. Aims to Recover Rs 9000 Cr in Remaining H2FY24.

The bank's recovery target for the H2FY24 is set at Rs 9,000 Cr, and full-year guidance is Rs 16,000 crore. So far, the bank has already achieved nearly Rs 7,000 Cr, bank MD reaffirms about reaching the target for the remainder of the year. In FY23, Its target was Rs 16,000 Cr and it exceeded by recovering Rs 20,000 Cr. We believe this recovery will boost the bank's profits.

### B. Improving Asset Quality, Cleansing Balance Sheet.

Bank asset quality indicators showed improvement, with Gross Non-Performing Asset (GNPA) and Net Non-Performing Asset (NNPA) ratios at 6.4% and 1.3%, respectively in Q2FY24. The Provision Coverage Ratio (PCR) improved by 90 basis points QoQ to approximately 80.7% in the second quarter of FY24. The restructured loan book decreased to 1.7% of total loans.

### C. Business Performance Getting Traction.

Union Bank's business performance is improving from recent qtrs. In Q2FY24 loan book saw a 10.5% YoY growth and a 4.3% QoQ increase, while deposits grew by 9% YoY and 1% QoQ. This resulted in a significant 234 basis point QoQ increase in the Credit-Deposit (CD) ratio, reaching 70.6%. The Net Interest Income increased by 10% YoY to INR 9130 Cr. This was supported by a 5 basis point sequential rise in Net Interest Margin (NIM) to 3.18%.

### D. Outlook And Recommendation.

The Bank has cleansed its balance sheet with improving asset quality over the years and with the current healthy recovery target of Rs 9000 Cr by FY24E, we estimate a Total Income/ PAT CAGR of 11.6%/36%, UNION BANK is trading at forward PBR (x) of 0.7 and we value it with 0.85(x) FY25E and Recommend BUY on UNIONBANK with Target Price of Rs. 137.

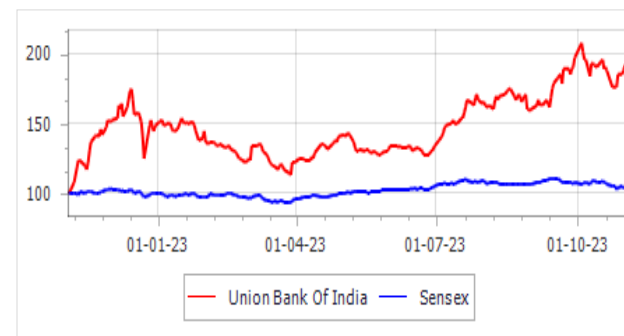
## Script Details

BSE Group	A
BSE Code	532477
NSE Code	UNIONBANK
Bloomberg Code	UNBK IN
Market Cap (INR Cr.)	78,461
Free Float (%)	23.0%
52wk Low/High	113/51
Beta (1yr Nifty 50)	0.00
Face Value (INR)/ D. Yield (%)	10/2.8
Total paid Up Shares (Mn.)	7412.4

## Financial Highlights

Year	Total Income	Operating Profit	PAT	PE Ratio (x)	PB Ratio (X)
FY22	40,310	21,870	5,230	12.7	1.0
FY23	47,400	25,470	8,430	8.1	0.9
FY24E	51,000	27,750	12,520	6.3	0.8
FY25E	59,000	29,500	15,600	5.0	0.7

## Share Price Relative Performance



## Business Operation

Oberoi Realty, based in Mumbai, specializes in premium developments in residential, office space, retail, hospitality, and social infrastructure. They have a strong track record with over 42 completed projects, totaling 11.89 million sq. ft. They also have plans for an additional 45.31 million sq. ft. in Mumbai and beyond.

## Investment Rationale

### A. New Projects to Kick in Growth For Q3 And Q4FY24.

Oberoi Realty Management is confident in launching new projects. Out of the two Thane projects, Kolshet and Pokhran, the launch of Kolshet is scheduled for after Diwali, with Pokhran following in the next quarter, both within this fiscal year. The company anticipates its rental income to surge from the current Rs. 350 crore per annum to a four-digit figure after the completion of Sky City Mall (Borivali) and Commerz III. Furthermore, the company foresees a continued positive sales trend in its Mulund projects and aims to sell off its entire inventory in the next two years.

### B. Sectoral Tailwinds to Benefit Oberoi Realty.

Oberoi Realty holds a substantial Rs. 17,000 crore unsold residential inventory, capitalizing on rising MMR housing demand. Upcoming retail, office, and hotel projects are set to contribute revenue by FY2024. Occupancy growth and new developments expected to boost rental income threefold by FY2025. The company's solid financial position and potential for value creation through redevelopment and annuity assets provide a promising outlook.

### C. Health performance in Q2FY24 Underscores Momentum.

In Q2FY2024, Oberoi Realty reported robust residential sales with bookings of Rs. 965 crore, up 103% sequentially. This strong performance drove a 77% YoY increase in consolidated revenues and a 52.4% operating profit margin. The company's consolidated net profit reached Rs. 457 crore, up 43% YoY and 42% sequentially. Company is optimistic about continuing this momentum in sales and has upcoming project launches in the pipeline, including Thane projects and the launch of Borivali Mall and operationalizing Commerz III office.

### D. Outlook And Recommendation.

Given the traction for MMR housing market, we estimate a Revenue/PAT CAGR of 15%/13.2%, OBEROI REALTY is trading at forward PER (x) of 17.3 and we value it with 20.5(x) FY25E and Recommend BUY on OBEROIRLTY with Target Price of Rs. 1476.

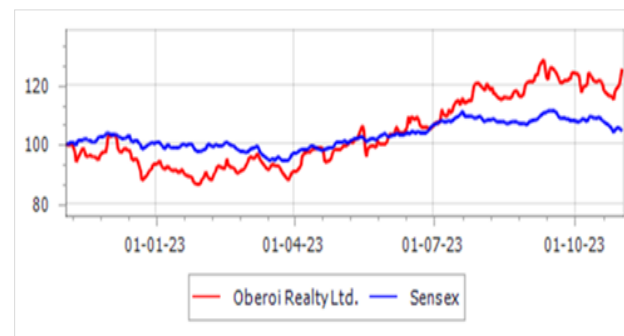
## Script Details

BSE Group	A
BSE Code	533273
NSE Code	OBEROIRLTY
Bloomberg Code	OBER IN
Market Cap (INR Cr.)	44,018
Free Float (%)	32.3%
52wk Low/High	1216/790
Beta (1yr Nifty 50)	0.00
Face Value (INR)/ D. Yield (%)	10/0.3
Total paid Up Shares (Mn.)	363.6

## Financial Highlights

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (X)
FY22	2,694	1,182	1,047	32.2	25.0
FY23	4,193	2,112	1,905	18.5	14.2
FY24E	4,822	2,435	2,122	20.7	19.2
FY25E	5,545	2,800	2,440	18.0	16.7

## Share Price Relative Performance



## Business Operation

PI Industries Ltd excels in Agri-sciences and fine chemicals in India. They offer agricultural inputs, specialize in global Custom Synthesis Manufacturing (CSM) for agro-chemicals and fine chemicals, and have diverse product offerings. PI Industries has a global presence through partnerships, and they've also established a subsidiary, PI Health Sciences Ltd., for pharmaceuticals and related sectors.

## Investment Rationale

### A. New Products in Pipeline to Drive Growth.

PI Industries boasts a substantial pipeline of over 40 products in various development stages, with more than 20% falling outside the agrochemical category. Additionally, the company plans to leverage its capabilities in emerging verticals and niche technologies such as nutraceuticals and electronic chemicals. They have already initiated commercial production of electronic chemicals for global clients.

### B. Growth Guidance of Remains Robust at 18%-20%.

The management aims for consistent revenue growth of 18%-20% while enhancing margins. They plan to increase the non-agrochemical segment's contribution to approximately 20% within the next 4-5 years, with intentions to commercialize 4-5 non-agrochemical products in FY24.

### C. Stable Margins in Turbulent Times in the Chemical Theme.

Company is one of India's oldest and largest players in Custom Synthesis Manufacturing (CSM), the company offers contract research and production of agro-chemicals, intermediates, and fine chemicals for global clients. Company has been able to keep margins stable as it has long term contracts and offers niche products, with this company has kept operating margins at 24% in FY23 vs 22% in FY22..

### D. Outlook And Recommendation.

We model a Revenue/PAT CAGR of 20%/19.9% and estimate PIIND to clock PAT of Rs 1767 Cr by FY25E. Company is trading at forward PER (x) of 29.2 and we value it with 34.5(x) FY25E and Recommend BUY on PIIND with Target Price of Rs. 4013.

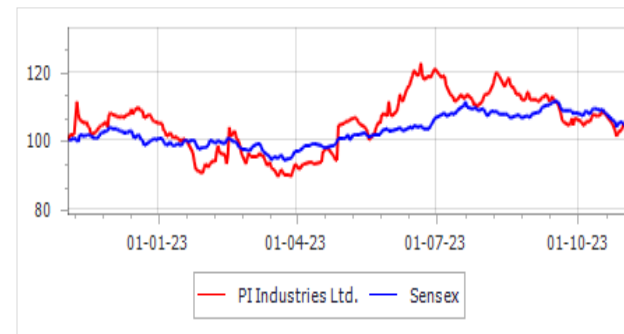
## Script Details

BSE Group	A
BSE Code	523642
NSE Code	PIIND
Bloomberg Code	PI IN
Market Cap (INR Cr.)	51,747
Free Float (%)	53.9%
52wk Low/High	4010/2870
Beta (1yr Nifty 50)	0.00
Face Value (INR)/ D. Yield (%)	1/0.3
Total paid Up Shares (Mn.)	151.7

## Financial Highlights

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (X)
FY22	5,300	1,146	844	53.0	35.4
FY23	6,492	1,544	1,230	39.9	27.5
FY24E	7,790	1,831	1,472	35.2	27.1
FY25E	9,348	2,197	1,767	29.3	22.6

## Share Price Relative Performance



## Business Operation

Greenlam Industries Ltd. began operations in Behror in 1993. Led by Mr. Saurabh Mittal, the Managing Director & CEO with over 25 years of wood panel business experience, the company operates in five facilities across Behror (Rajasthan), Nalagarh (Himachal Pradesh), Prantij (Gujarat), Tindivanam (Tamil Nadu), and Naidupeta (Andhra Pradesh). They specialize in manufacturing laminates, decorative veneers, engineered wooden flooring, engineered wooden doors, plywood, and prelam particle board/MDF.

## Investment Rationale

### A. Setting up Capacity Addition Worth INR 825 Cr.

Greenlam Laminates came with Rs 825 Cr capex to boost its manufacturing capacities, of which Rs 600 Cr to be invested towards Particle board and rest towards Laminates. This capacity has an incremental revenue potential of INR 1100 Cr. (50% higher to TTM revenue of INR 2156 Cr) we expect this expansion to be utilized in line with the macro outlook on realty segment.

### B. Optimistic Demand Outlook Post Robust Sales in Premium Housing.

India's Premium property segment has peaked up momentum in recent months as sales clock six year high followed by new projects envisaged by leading property developers such as DLF, OBEROI, SOBHA, GODREJ etc. Greenlam Laminate remains a key beneficiary as this robust sales gives ample visibility for the company. We remain optimistic on near term demand for laminates and particle boards.

### C. Company Gaining Market Share With Exports.

Overseas demand is steady. Exports from India are growing as domestic manufacturers are gaining market share from respective regional players in overseas market. In India, players have taken up price hikes of 2-5% owing to timber cost price, enabling the company to keep margin stable unlike FY23.

### D. Outlook And Recommendation.

Greenlam to benefit from robust realty space and we estimate a Revenue/PAT CAGR of 16%/17.7%, GREENLAM is trading at forward PE (x) of 36 and we value it with 43(x) FY25E and Recommend BUY on GREENLAM with Target Price of Rs. 635.

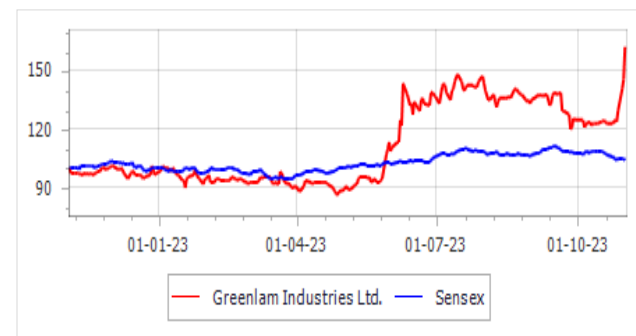
## Script Details

BSE Group	A
BSE Code	538979
NSE Code	GREENLAM
Bloomberg Code	GRLM IN
Market Cap (INR Cr.)	6,625
Free Float (%)	48.8%
52wk Low/High	570/283
Beta (1yr Nifty 50)	0.00
Face Value (INR)/ D. Yield (%)	1/0.3
Total paid Up Shares (Mn.)	127.0

## Financial Highlights

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (X)
FY22	1,703	188	91	41.3	22.1
FY23	2,026	233	128	34.6	18.8
FY24E	2,350	259	153	43.3	29.2
FY25E	2,726	300	177	37.3	25.1

## Share Price Relative Performance



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