

Gladiator Stocks

New recommendations Time Frame: 6 Months

Date	Scrip	I-Direct Code	Buying Range	Target	Stoploss	Upside (%)
19-Mar-21	Divis Laboratories	DIVLAB	3280.00-3325.00	3,740.00	3,110.00	13.00

Open recommendations Time Frame: 6 Months

Date	Scrip	Avg Rec Price	Target	Stoploss	CMP	Return till date (%)
3-Mar-21	IndusInd Bank	1,088.00	1,270.00	990.00	995.00	-9%
3-Mar-21	VIP Industries	400.00	478.00	358.00	375.00	-6%
25-Feb-21	Tata Steel	733.00	845.00	675.00	700.00	-5%
5-Feb-21	Kotak Mahindra Bank	1,976.00	2,230.00	1,815.00	1,856.00	-6%
5-Jan-21	Marico	415.00	480.00	367.00	392.00	-6%
10-Dec-20	Abbott India	15,500.00	17,920.00	13,910.00	14,698.00	-5%

All the recommendations are in Cash segment

March 19, 2021

Open Recommendations

Momentum Picks

Scrip	Action
FSL	Buy
L&T Infotech	Buy

Duration: 14 Days

Our Products

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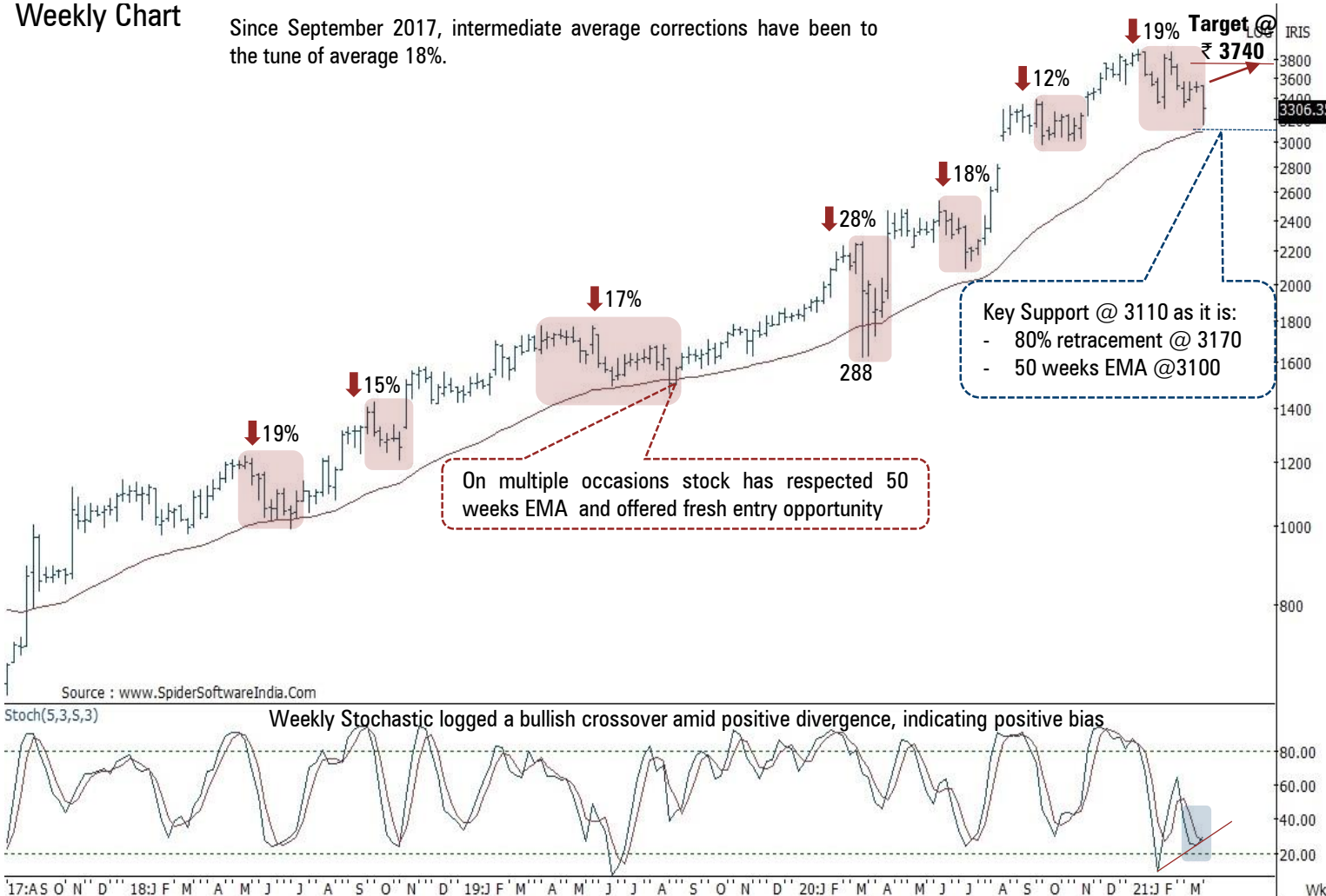
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Divis Laboratories (DIVLAB): Poised at key support of 50 week's EMA; offering favourable risk reward...

Rec. Price	3280.00-3325.00	Target	3740.00	Stop loss	3110.00	Upside	13%
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Weekly Chart

Since September 2017, intermediate average corrections have been to the tune of average 18%.



On multiple occasions stock has respected 50 weeks EMA and offered fresh entry opportunity

Key Support @ 3110 as it is:
 - 80% retracement @ 3170
 - 50 weeks EMA @ 3100

The pharma index has undergone secondary corrective phase after witnessing relative outperformance during CY20. Within pharma space, we remain constructive on Divis Laboratories as it has approached key support threshold of 50 week's EMA at ₹ 3100 that coincided with 80% retracement of September-January rally (₹ 2985-3915), at ₹ 3170. Hence, it offers a fresh entry opportunity with favourable risk reward

We expect the stock to form a higher base in the vicinity of 50 week's EMA and gradually head towards ₹ 3740 levels in coming months as it is 80% retracement of past three months correction (₹ 3915-3153)

Key point to highlight since September 2017 is that on multiple occasions the stock has respected 50 week's EMA and offered fresh entry opportunity to ride next leg of up move. In the process, intermediate corrections have been to the tune of average 18% (as shown in chart). Currently, it has corrected 19% from life-time highs while sustaining above 50 week's EMA, thereby offering a fresh entry opportunity with favourable risk reward

Source: Spider Software,, ICICI Direct Research

Recommended on I-click to gain on 19th March 2021 at 11:11

March 19, 2021

ICICI Securities Ltd. | Retail Equity Research

Fundamental View: Divi's Laboratories

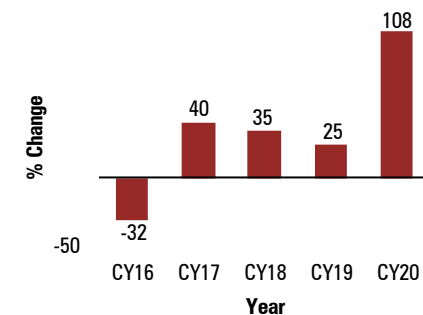
- Established in 1990, Divi's Laboratories is engaged in the manufacture of generic APIs and intermediates, custom synthesis of active ingredients and advanced intermediates for pharma MNCs, other speciality chemicals like Carotenoids and complex compounds
- The custom synthesis (CS) business (41% of FY20 revenues) is a margin accretive one but at times lumpy as it depends on offtake from customers (global top 20 big pharma). However, this business showed good recovery on account of an improved business environment. Strong R&D capabilities and India cost arbitrage along with IP adherence are some legacy strengths, which will drive incremental assignments from MNCs. We expect CS to grow at a CAGR of ~24% to ₹ 4203 crore in FY20-23E
- The company remains committed to a few research driven niche opportunities as was the case when it started commercial operations. Two generics, Naproxen (pain management) and Dextromethorphan (cough suppressant) account for ~26% of overall revenues. Divi's enjoys ~70% global market share in these two products. Divi's is also increasing its presence in another niche area of carotenoids after acquiring requisite capabilities. It has developed various types of carotenoids including beta-carotene. Recent supply constraints from China are likely to propel growth in this segment. With focus on brownfield expansion, the management is committed to addressing capacity constraints. We expect sales from generics to grow at a CAGR of ~23% to ₹ 5954 crore in FY20-23E
- More than strong quarterly performance (the management stresses in a business like this can be lumpy) important narrative for Divi's is unprecedented capex to further augment capacities besides preparing for growing opportunities arising from China plus one factor. It has earmarked aggressive capex of ~₹ 3700 crore [₹ 1800 (existing plans) + ₹ 400 (custom synthesis blocks) + ₹ 1500 crore (greenfield Kakinada plant)], over and above ~₹ 2000 crore spent in last five years. Impact of the massive investment is already visible & expected to reflect in FY22-23. Divi's stays a quintessential play on Indian API/CRAMS segment with its product offering, execution prowess

Stock Data	
Particular	Amount
Market Capitalisation	₹ 86885 crore
Debt (FY20)	₹ 39 crore
Cash (FY20)	₹ 1094 crore
EV	₹ 85830 crore
52 week H/L (₹)	3915/1631
Equity capital	₹ 53.1 crore
Face value	₹ 2

Financial Highlights				
₹ crore	FY20	FY21E	FY22E	FY23E
Revenue	5394	6894	8435	10157
EBITDA	1816.1	2766.3	3289.7	4012.1
EBITDA%	33.7	40.1	39.0	39.5
Net Profit	1376.5	1919.7	2343.6	2945.7

Key Metrics				
	FY20	FY21E	FY22E	FY23E
EPS (₹)	51.9	72.3	88.3	111.0
PE (x)	63.1	45.3	43.3	34.4
ROE (%)	18.8	22.1	22.1	22.4
ROCE (%)	23.9	28.5	28.4	28.9

Price performance of last 5 years



Summary Performance - Recommendations till date

Total Recommendations	615	Open	6
Closed Recommendations	609	Yield on Positive recommendations	17.0%
Positive Recommendations	454	Yield on Negative recommendations	-8.0%
Closed at cost	17		
Strike Rate	77%		

Momentum Picks open recommendations

Date	Scrip Name	Strategy	Recommendations Price	Target	Stoploss	Time Frame
10-Mar-21	L&T Infotech	Buy	4020-4070	4435.00	3830.00	14 Days
19-Mar-21	FSL	Buy	108-112	123.00	101.00	14 Days

All recommendations are in cash market

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Price history of past three years

Divis Laboratories

DIVISLAB [N10940] 3526.00, 3526.00, 3153.30, 3305.90, 3576954 -5.87%

Price



- It is recommended to enter in a staggered manner within the prescribed range provided in the report
- Once the recommendation is executed, it is advisable to keep strict stop loss as provided in the report on closing basis
- The recommendations are valid for six months and in case we intend to carry forward the position, it will be communicated through separate mail

Trading portfolio allocation

- It is recommended to spread out the trading corpus in a proportionate manner between the various technical research products
- Please avoid allocating the entire trading corpus to a single stock or a single product segment
- Within each product segment it is advisable to allocate equal amount to each recommendation
- For example: The 'Momentum Picks' product carries 2 intraday recommendations. It is advisable to allocate equal amount to each recommendation

Recommended product wise trading portfolio allocation

Product	Allocations		Number of Calls	Return Objective	Duration
	Product wise allocation	Max allocation In 1 Stock			
Momentum Picks-Intraday	10%	30-50%	2 Stocks	1-2%	Intraday
Momentum Picks-Positional	25%	8-10%	8-10 Per Month	5-8%	14 Days
Gladiator Stocks	35%	10-13%	Opportunity Based	15-20%	6 Months
Yearly Technical	25%	12-15%	7-9 Per Year	20-30%	1 Year
Cash	5%				
	100%				



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