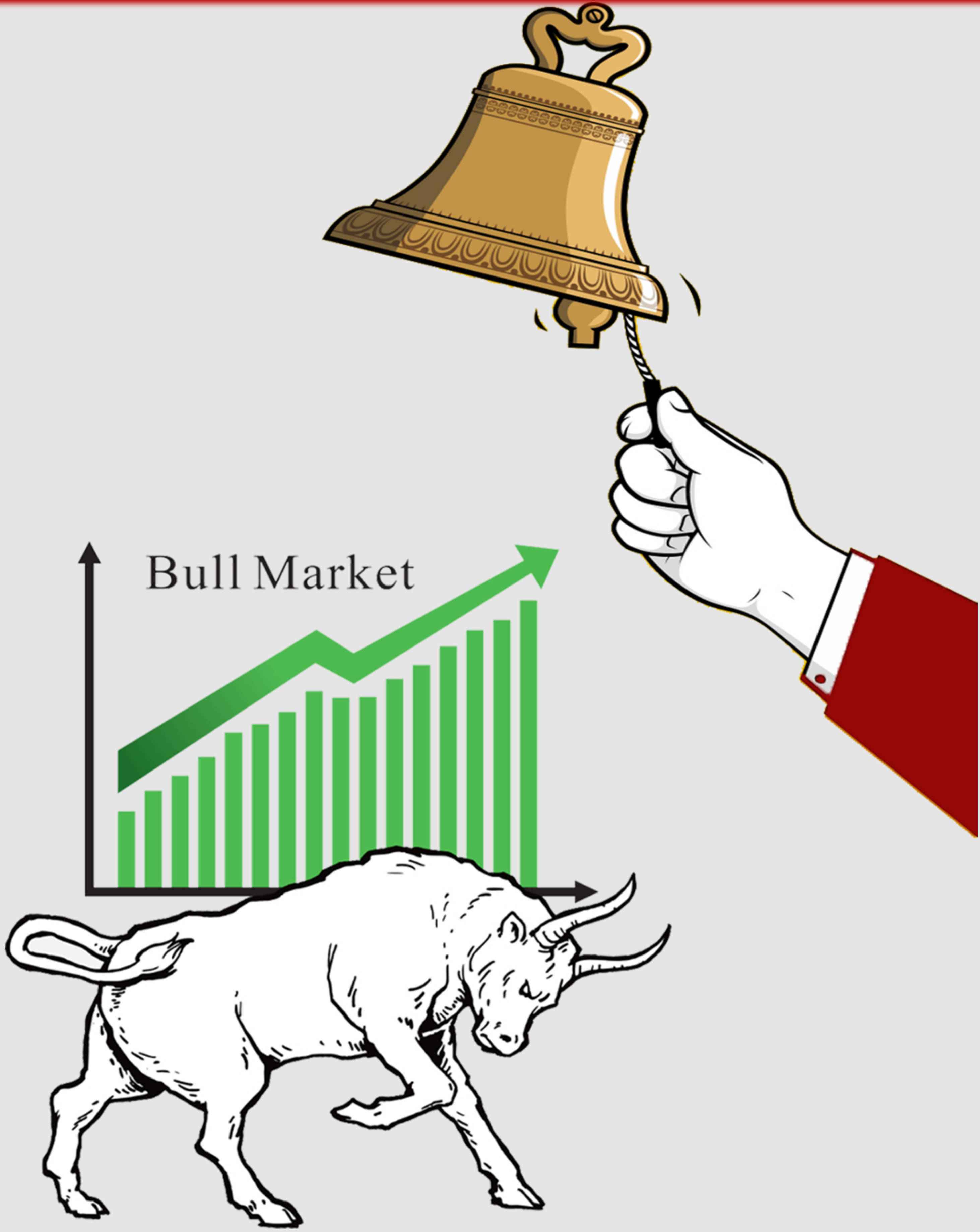
श्री LAKSHMISHREE

*Gateway to your Financial Goals*

# CORRECTION

# This May Impact Your Investments!!




श्री LAKSHMISHREE
Gateway to your Financial Goals

# Torrent-Cipla: Multiple Opportunities Beyond Near-Term Uncertainties

The strange part about Torrent Pharma's pursuit of the promoter's stake in Cipla is how little of its enthusiasm is being shared by other pharma companies. Reports indicate that the battle for the Hamied family's 33.4 percent shareholding in the company is limited to Torrent and private equity funds Blackstone and Baring PE although Dr Reddy's Laboratories too has been mentioned. Noticeably, others including market leader Sun Pharma, among the most aggressively acquisitive of Indian pharma companies, Aurobindo Pharma and Lupin have, so far, kept away.

One reason for the apparent disinterest could be that they are all in the process of wrapping up other recent acquisitions. Sun, for instance, just completed the buyout of Israeli generics firm Taro, a process that's taken nearly 16 years and cost nearly a billion dollars. And its work isn't done since it needs to fulfill the conditions of the Israeli Companies Law to consummate the merger. Coming six years after its $4 billion acquisition of Ranbaxy, Sun probably wants to sit out another high stakes, high-priced investment opportunity. Similarly, earlier this year, Dr. Reddy's Laboratories acquired the US generic prescription product portfolio of Australian firm Mayne Pharma Group for an upfront payment of approximately $90 million in cash and contingent payments of up to $15 million.

But more than the consolidation of such takeovers, it is the lessons learnt from them that might be turning many pharma firms cautious.

The decade of 2005-2015 was the era of mega acquisitions in the pharma space, coinciding with the soaring fortunes of the industry and the rising market cap of the largest firms. Besides Daiichi's purchase of Ranbaxy and then its sale to Sun, there was Lupin's $880 million acquisition of the New Jersey-based privately-held generic drugs company GAVIS Pharmaceuticals (Gavis) in 2015. Again, in 2016, Cipla bought two US-based generic companies InvaGen and Exelan for $550 million. In between, in 2006, Dr Reddy's Laboratories acquired the fourth-largest German generic drug maker Betapharm Arzneimittel GmbH for €480 million (approximately Rs 2,550 crore).

While these buys were meant to give Indian firms a foothold in the international markets that were rapidly opening up to cheaper generics, there was also simultaneous action at home.

In 2010 the US-based Abbott Laboratories bought the domestic formulations business of Piramal Healthcare at a steep consideration of $3.72 billion, and in 2014, Torrent Pharma acquired the branded domestic formulations business of Elder Pharma in India and Nepal on a slump sale basis for Rs. 2,004 crore (around $324 million) in an all cash deal.

A combination of factors has meant that many of these deals did not end up meeting the expectations of the companies or the market. Changes in the German government's drug procurement policy meant that the Betapharm deal turned into a disaster for Dr. Reddy's while Lupin too had to slash its expectations from the Gavis buy.

That's what makes Torrent's proposed takeover that could cost approximately $7 billion, a fair share of which will have to come from debt, a risky bet.

Cipla, of course, has enormous strengths and control of India's third largest generics company will catapult Torrent into the top ranks among pharma companies in India. Torrent's strength is in the domestic formulations market with a strong presence in chronic therapeutic segments. According to an ICRA Ratings report of August 2023, the US business contributes only 12 percent to its revenues. Clearly, it will gain substantially from Cipla's global business, 30 percent of which comes from the North America market.

Driven by strong demand and the tapering of price erosions, US business has fuelled a recovery for most Indian pharma firms after years of sub-par growth. With the US facing serious shortages of drugs and most plants in India now being FDA compliant, the market is looking extremely promising with analysts bullish on Indian pharma firms with significant footprint abroad. Firms like Sun Pharma and Lupin are also reaping the reward for moving up the value chain.

Torrent is a well-run company with gross margins that compare favorably with that of the market leaders. The high promoter holding of 71 percent gives the Mehta family substantial leverage to raise funds. But whether an acquisition that could end up costing nearly as much as its current market cap will be worth it, is debatable.

# JioAirFiber Launch To Raise The Stakes For Competitors

For the world's most populous nation intent on ensuring that none of its citizens gets left behind in the process of growth and development, the launch of the JioAirFiber on Tuesday, September 19, brings with it the promise of contributing significantly to India's ambition of ensuring that its 1.4 billion people gain access to latest technologies at prices they can afford. The newest offering from the Jio stable holds the potential to greatly aid national efforts to eliminate the last-mile connectivity challenge that has often come in the way of providing more people with reliable fixed-wireless broadband services so that they could leverage high-speed internet connectivity in multiple ways to improve their quality of life. Be it in terms of the way they shop, bank, entertain themselves, obtain quality education, or conduct business.

Wide availability of the JioAirFiber — which, given Reliance's trademark distribution skills, is bound to take place soon — coupled with its attractive pricing plans and ease of use could lead to a substantial increase in broadband subscribers even in areas where internet penetration has traditionally been low and in the process lower the digital divide in the country. At the end of March 2023, while the number of internet subscribers per 100 population, for instance, was more than 200 in Delhi, it was less than 40 in Bihar.

The imminent increase in competition among telecom service providers pursuant to the launch of the JioAirFiber would also aid the ongoing national endeavour to promote digital inclusion on a larger scale with other players expected to speed up the introduction of their own offerings to counter Jio. This, in turn, would benefit average citizens, too, since they could look forward to potentially more advanced and innovative home broadband offerings at attractive price points being introduced in India in the days ahead.

## Increasing Digital Inclusion

In its consultation Paper on 'Digital Inclusion in the Era of Emerging Technologies' released on September 14, the Telecom Regulatory Authority of India (TRAI) had said, "Both universal and meaningful connectivity must be present for digital inclusion efforts to succeed, as neither universal connectivity with poor quality nor meaningful connectivity for the few will yield any significant benefits towards digital empowerment of the society."

Signature national missions like ‘Digital India’ and ‘Aatmanirbhar Bharat’ would also stand to gain from the launch of the JioAirFiber. Jio’s ambitious expansion plans alone would fuel substantial investments in the creation of digital infrastructure nationwide that would strengthen each of the five pillars — vibrant demography, demand, infrastructure, technology-driven system, and economy — on which rests the aspiration of establishing a self-reliant India. The increased investments in digital infrastructure would have the added benefit of creating opportunities for more, new and better-quality jobs for the Indian workforce.

Seen from Reliance Jio’s point of view, the launch of the JioAirFiber would further strengthen its dominant position in the Indian telecoms arena and open a new avenue for revenue growth. This would also cheer the investor community that is eagerly awaiting Jio’s IPO announcement. The prospect that JioAirFiber holds from a business point of view was clearly brought out by Reliance Industries Chairman Mukesh Ambani while addressing shareholders during the company’s 46th AGM held on August 28. At that meeting, Ambani had said, “Through optical fibre, we can currently connect around 15,000 premises daily. But with JioAirFiber, we can supercharge this expansion with up to 150,000 connections per day which is a 10-fold increase, expanding our addressable market over the next three years to over 200 million high-paying homes and premises”.

# Look What Our Research Analyst Has To Say...


Post the breakout from bullish pole and flag pattern the index has moved swiftly on the upside and hence the correction is also violent on the downside. The index corrected sharply in one day biggest red candle which got negated next day and thereafter turned out into a bull trap. The last 3 days correction has been on above average volumes and above range range which shows presence of sellers at higher levels. On the weekly chart the index has formed a bearish marabuzo candle which is very negative in nature and on the attached chart when ever such candle formed the index topped out for 7-8 weeks on an average.

Hence for the week ahead and for the weeks ahead we remain bearish on the index and expect sell on rise to continue. For the week ahead 19550 will act as major support and below that swing low of 19250 can be tested. Rallies towards 19800 should be used as an opportunity to exit all longs.

**Anshul Jain**

Sr. Research Analyst

श्री LAKSHMISHREE
Gateway to your Financial Goals


# Sector To Watch

# SUGAR SECTOR


In the past five years, the sugar industry in India has undergone significant changes, marked by increased sugar production, ethanol diversification, and successful policy initiatives. Gross sugar production has risen from 32.3 million tonnes in 2017-18 to 39.2 million tonnes in 2021-22, while consumption has remained around 26-28 million tonnes. This surplus has been managed through exports and the shift of sugarcane towards ethanol production, benefiting the industry, farmers, and the government by stabilizing sugar prices, reducing arrears, and lowering forex expenditures.

The positive outlook for the sector includes lower sugarcane yields in Maharashtra and Karnataka, potentially hampering production and raising domestic sugar prices. Additionally, reduced global sugar exports and the growth of ethanol blending program bode well for the industry. Sugar millers in Uttar Pradesh are adopting new sugarcane varieties to enhance sugar recovery and reduce production costs, further contributing to earnings growth. Overall, the industry's future looks promising with rising sugar prices and increasing ethanol volumes.

# Stock To Watch

# Balrampur Chini Mills Limited


| Market Cap. | EPS | Net Profit | ROE | Promoter Holding |
|---|---|---|---|---|
| ₹ 8,368 Cr | ₹ 17.1 | ₹ 345 Cr | 10.0% | 42.9% |

Balrampur Chini Mills Limited (BCML), the second-largest sugar company in India, boasts a sugar crushing capacity of 78,000 tonnes per day (TCD), a distillery capacity of 1,050 kilolitres per day (KLD), and co-generation capacity of 175.7 MW. In 2022, the company completed its distillery expansion, reaching a total capacity of 1,050 KLD, which positions it as a major player in the ethanol market. Most of BCML's sugar plants are strategically located in eastern Uttar Pradesh, optimizing distillery utilization.

Over the past two years, BCML has shifted to newer sugarcane varieties, reducing dependence on the aging Co-0238 seed, which is expected to enhance sugar recovery and reduce production costs. Furthermore, the company plans to increase its sugarcane crushing and ethanol volumes, capitalizing on its capacity expansion, and is well-prepared to address challenges such as low sugar inventory levels and the potential impact of El Nino on sugarcane yields in Maharashtra and Karnataka.

श्री LAKSHMISHREE
Gateway to your Financial Goals

# Dalmia Bharat Sugar & Industries


| Market Cap. | EPS | Net Profit | ROE | Promoter Holding |
|---|---|---|---|---|
| ₹ 3,464 Cr | ₹ 32.4 | ₹ 262 Cr | 9.73% | 74.9% |

Dalmia Bharat Sugar (DBHS) stands out as the sole sugar company with operations in both Uttar Pradesh and Maharashtra. With a sugar crushing capacity of 37,150 TCD, a distillery capacity of 710 KLD (220 million liters per annum), co-generation capacity of 102 MW, and 16.5 MW of wind power, DBHS is strategically positioned in the industry. The company is aggressively expanding its distillery capacity, with a particular focus on grain-based ethanol, to align with the government's target of achieving 20% ethanol blending with petrol. This expansion is set to increase DBHS's distillery capacity to 1,100 KLPD (320 million liters) by FY25.

Additionally, DBHS is poised to benefit from higher sugar prices and increased refined sugar production, given the anticipated decline in sugar production in India for the 2023-24 season. This strategic growth is expected to drive significant profit growth, with an estimated earnings CAGR of 21% from FY23 to FY25. Distillery operations are projected to contribute significantly to revenue by FY25, and the company is poised to generate substantial operating cash flows in the coming years, with Rs1.4 billion in FY24 and Rs2.1 billion in FY25.

# THANK YOU

☺

Gateway to your Financial Goals

Corporate Member of NSE, BSE, NCDEX, MCX, and Depository Participant with CDSL
SEBI Registered Investment Advisor - SEBI Registration No: SEBI Registered Investment Advisor - CIN No U74110MH2005PTC157942 |BSE-3281| INZ000170330 | NSE-12817| INZ000170330 | DP:IN-DP-CDSL-490-2008 | DPID:12059100 |Research Analyst:INH000004565| MCX-55910| INZ000170330 | NCDEX-01253| INZ000170330

**Registered Office:**

Unit No 407, IV Floor, Marathon Icon Marathon Nextgen Campus, Ganpat Rao Kadam Marg, Mumbai-400013
Opposite Peninsula Corporate Park, Lower Parel
Contact No: (022) 43431818

**Corporate Office:**

57, 2nd Floor Gandhi Nagar Sigra, Varanasi, UP- 221010
Contact No: (0542) 6600000

**Regional Offices:**

Kolkata, Ahmedabad, Chennai, Aurangabad, Jaipur, Kanpur, Delhi, Ujjain, Varanasi NichiBagh, Varanasi Maldahiya.

**Disclaimer:** ANALYST CERTIFICATION I, Mr. Anshul Jain B.com, Research Analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about 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. 'Subscriber' is the one who has subscribed to the Research Reports in various forms including Research Recommendations, Research SMS Alerts/Calls, Fundamental and Technical Research calls, Investment Strategist Magazine, Research/market news etc through Lakshmishree Investment & Securities Private Limited. Subscriber may or may not be client of Lakshmishree Investment & Securities Pvt. Ltd.

**Terms & conditions and other disclosures:**

Lakshmishree Investment & Securities Pvt. Ltd. (hereinafter referred to as "LISPL ") is engaged in the business of Stock Broking, Depository Participant and distribution for third party financial products. (LISPL) will, at its discretion, provide its company research reports/news, results, and event updates/ sector report/monthly commentary/regular compendium, trading call, technical and derivatives reports (together "the reports") as also market news to subscribers either in the form of a written market commentary or research report sent in e-mail, form, SMS or through postal or courier service. A brief extract of the reports may also be sent, on enrolment, in SMS, e-mail form. This document has been prepared by the Research Division of LISPL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without the prior permission of LISPL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security. The information contained in this report has been obtained from sources that are considered to be reliable. However, LISPL has not independently verified the accuracy or completeness of the same. Neither LISPL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein. Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor. Either LISPL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication. LISPL is registered as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 LISPL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities. LISPL or its research analysts or its associates or his relatives do not have any financial interest in the subject company. LISPL or its research analysts or its associates or his relatives do not have actual / beneficial ownership of one percent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report. LISPL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report. LISPL or its associates might have received compensation from the subject company in the past twelve months. LISPL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months. LISPL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months. LISPL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months. LISPL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report. LISPL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. LISPL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. LISPL or its Research Analysts do not have any material conflict of interest at the time of publication of this report. It is confirmed that Mr. Anshul Jain B.com, Research Analyst of this report has not received any compensation from the companies mentioned in the report in the preceding twelve months Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. The research analysts for this report has not served as an officer, director or employee of the subject company. LISPL or its research analysts have not engaged in market making activity for the subject company Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. LISPL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.