Monthly Report - January 2017

Monthly Overview

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Pick Of The Month: Abbott India Ltd.

BUY | **Target Price: ₹ 6320**

Market Cap:	₹ 10021 Crores	Stock P/E:	38.6
Current Price:	₹ 4716.0	Book Value:	₹ 521.26
Target Price:	₹ 6320	Dividend yield:	0.70%
Upside potential:	40%+ (12-15 months)	52 Week High/Low:	₹ 6000 / ₹ 4353

Focus on Multi National Pharma Companies (MNCs):

MNCs will continue to enjoy premium given the size and product profile

• Multinational corporations (MNCs) in the global pharmaceutical industry have been reporting sluggish growth over the last few years, being held back by several factors including implementation of cost containment measures in developed countries, lack of strong product pipelines, and expiry of patents on existing products. However, going forward the MNCs in India have started showing better growths.

• Emerging markets however represent an exciting opportunity for most pharma MNCs, given that these markets are expected to achieve a size of more than USD500bn by 2020; the Indian market is expected to grow to a size of USD40bn by then.

• Pharma MNCs are currently launching branded generics in the Indian market via product localisation, a strategy that involves local branding, sourcing and pricing. This strategy helps them launch products at competitive prices, thereby addressing affordability issues. With localisation, the pharma MNCs operating in India have been able to improve their growth rates and this strategy is expected to yield future growth.

• The scaling up of field force by pharma MNCs in India to increase geographic penetration and the launch of new products in the Indian market has led to an increase in personnel costs for them. This, along with the increase in promotional and marketing expenditure on new launches, has brought pressures on operating margins, although they are still largely within the range of comfort. The margins are expected to improve once the incremental investments in marketing and sales translate into higher sales and profits.

• The inorganic route remains one of the preferred routes for pharma MNCs looking to enter the Indian branded generics market or expand their market share therein. Through acquisition, pharma MNCs get access to a ready product basket and infrastructure, besides management capabilities in the Indian market. While the M&A activity in the Indian market has so far involved large size deals, smaller acquisitions including licensing opportunities that could increase the market shares of the pharma MNCs and fill critical gaps in their portfolio may also be expected in future.

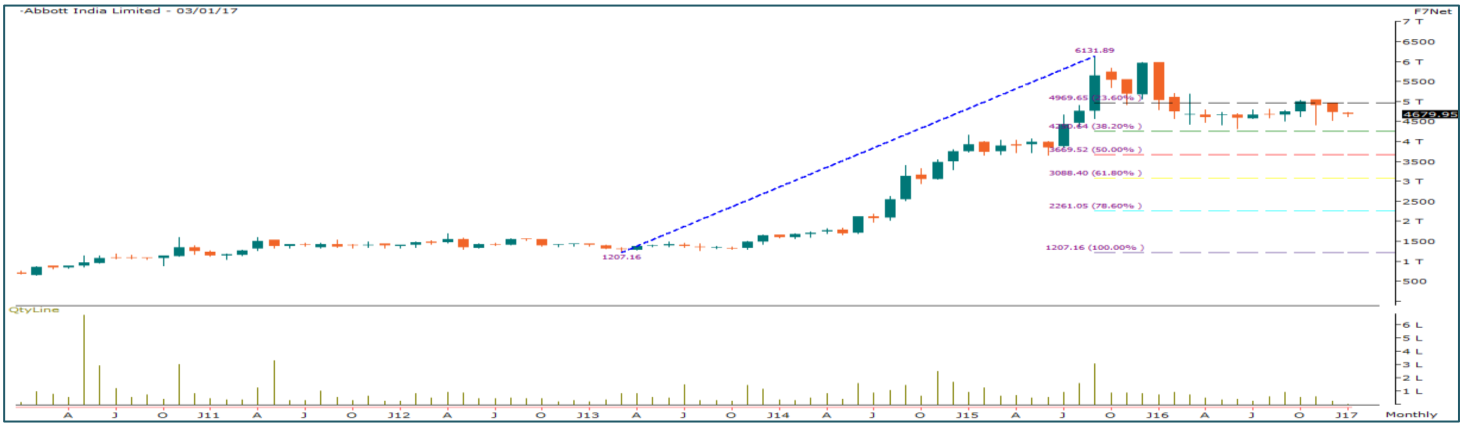
• Healthy cash flows and parent company linkage help Indian arms of Pharma MNCs to maintain a strong credit profile. Thus these companies being Cash Rich results in higher levels of Dividends and better ROEs / ROCEs

• The strong impact which MNCs negatively experienced was the pricing defined as per NLEM, since all the products were at a premium companies had to experience a brunt on that which negatively impacted their ratios and future visibility and growth.

Company Profile:

Abbott India Ltd is one of the largest MNC pharma company operating in India. The Company is engaged in the discovery, development, manufacture and marketing of pharmaceutical, diagnostic, nutritional and hospital products. They are having their presence in both OTC drugs and formulations. Their manufacturing facilities are located at Verna in Goa. The company's global products include Brufen, Prothiaden, Thyronorm and Leptos.The company has four divisions. The Primary Care division markets products in the areas of pain management and gastroenterology. The Specialty Care-Methabolics and Urology division provides solutions in the areas of thyroid, obesity, diabetes and benign prostatic hyperplasia. The Specialty Care-Neuroscience division has a varied portfolio with specialty products in neurology and psychiatric segments. Hospital Care offers products in the field of anesthesiology and neonatology, such as Forane, Sevorane and Survanta.Abbott India Ltd was originally incorporated on August 22, 1944 as Boots Pure Drug Company (India) Ltd. The company name was changed to The Boots Company (India) Ltd on November 1, 1971, thereafter to Boots Pharmaceuticals Ltd on January 1, 1991. In October 31, 1995 the name was changed to Knoll Pharmaceuticals Ltd, and in July 1, 2002, they got their present name Abbott India Ltd.In the year 2002, the company sold their Jejuri Undertakings together with assets and liabilities as a going concern. In the year 2003, the company's wholly owned subsidiary company, Lenbrook Pharmaceuticals Ltd was amalgamated with the company.In the year 2004, the company started the production of Capsules with the capacity of 27 Millions Nos. In the year 2005, they further increased the capacity to 56 Million Nos. Also, they started a new project of producing Nutritional Products with the installed capacity of 600 Tonnes. In the year 2006, the company increased the production capacity of Tablets by 236 Million Nos to 686 Million Nos. In the year 2008, they further increased the production capacity of Tablets by 769 million Nos to 1455 million Nos. They launched Digene Total, buffered pantoprazole tablet for quick and sustained antacid action and Brugel a novel formulation for sprains and strains. Also, they launched Thyronorm 150, Digene Sugar Free Tablet and Gel during the year.The company acquired Solvay Pharmaceuticals, pursuant to which Solvay became a part of Abbott's global Pharmaceutical Products Group.

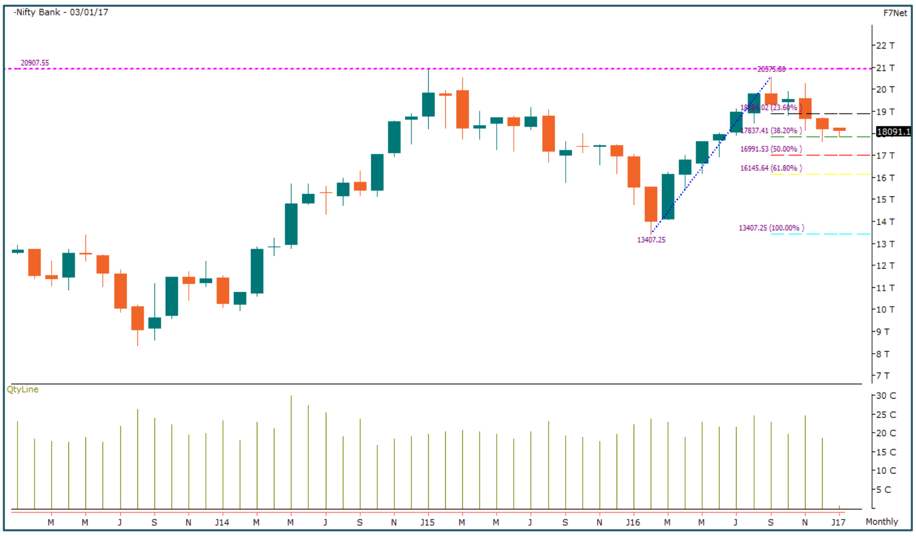
Technical Overview: Abbott India Ltd.



- As depicted on the monthly chart, the stock rallied from the low of 1207 to the high of 6131 levels and now at around 38% retracement it is showing long consolidation.
- The falling ADX on the monthly chart is indicating that the downtrend strength is weakening.
- On the weekly chart, the stock is trading above the support level of 4330. It is also trading well above the 200Week SMA level of 3331.
- The stock is depicting consolidation even in the weak market scenario which is a positive sign.
- At the current juncture, the risk-reward ratio is more favorable for longs.

Based on above mentioned technical & fundamental rational, we can build a long position in the stock with 12-15 months perspective and target can be placed at around 6320. We can accumulate the stock in the range of 4550-4750. We believe the stock is having high-performance prospects with long-term perspective so one can hold the stock for a longer time for better returns.

Nifty Bank- Overview



Montly Closing	18177	
Monthly High: 18740	**Monthly Low :** 17607	
Sector Bias:	Neutral to Positive	
Support Level:	17250	16620
Resistance Level:	18750	19420

Sector Outperformers
Indusind Bank
HDFC Bank

Sector Underperformers
Canara Bank
Punjab National Bank

Nifty Bank index depicted weakness and closed the month of December with the losses of around 2.5%. Weakness in the Banking stocks emerged as Reserve Bank of India (RBI) maintained a status quo on the policy rates during the fifth bi-monthly monetary policy review. US Federal Reserve policy guidance added further Negativity. Technically, Bank Nifty started the month of December with a negative bias. Bank Nifty created 'Hammer' kind of candle on the monthly chart. It took support at around 40% retracement level of the rally from 13407 to 20575. During the month after consolidating around the 200Day EMA level finally Bank Nifty moved quite below that. Near-term crucial support for Bank Nifty is at around 17250 while on the upper side resistance is at around 18750. It is trading below the important moving averages and likely to remain weak in short-term, but the long-term bias is positive. Investors can prefer accumulating quality stocks in a staggered manner.

Nifty 50- Overview

Monthly Chart:

Nifty Outlook

In December Nifty continued with its negative momentum. It formed consecutive fourth negative candle on the monthly chart. However, after remaining weak for the most part of the month it depicted good recovery during the last week of the month. Nifty closed the month with losses of over 0.50%. Nifty formed Doji kind of candle with longer lower shadow on the monthly chart. This pattern indicates that the bears controlled the momentum for the most part of the month but lost control by the end and the bulls made an impressive comeback. Nifty again took support at around 50% retracement level of the previous move from the low of 6825 to the high of 8968. However, on the last trading day of the month, Nifty formed a 'Death Cross' wherein the 50 Day SMA fail below its 200Day SMA i.e. negative crossover. During the month Nifty cut the crucial support of 7900 therefore now any rally till 8275-8400 can be utilized to reduce the longs as the medium-term trend remains negative and correction till 7600-7400 is very much on cards. Nifty is trading below important averages that are 50Day EMA-8225, 200Day EMA-8261 and 50Week EMA-8238.

Market Synopsis

Nifty depicted muted performance during 2016. The calendar year 2016 ended with some unexpected things like Brexit, outcome of US election and on the domestic front demonetization. During the calendar year, 2016 Nifty posted nominal returns of around 3%. The FIIs remained net sellers in the year 2016. Though short-term implications of the demonetization are negative, the market is showing strength with a hope of faster economic growth in future. So the year 2017 has started with lots of hopes on reforms. There is also a high expectation from upcoming union budget 2017-18 and an actual announcement will definitely leave a directional impact on the domestic market.

RBI maintained status quo on key policy rates during its policy announcement in December which was another surprise for the market. The market was expecting a rate cut of minimum 25bps and it was discounted factor but status quo on rates was a negative surprise for the market. Secondly Market experienced further selling after the Fed policy announcement, wherein the US Federal Reserve raised interest rates by a quarter point and signaled a faster pace of increases in 2017.

The quarterly results season is back and muted corporate performance is expected in many sectors, due to demonetization impact. The long-term outlook on Nifty bullish but high volatility will persist in the short-to-medium term. Considering the current market responsiveness it is advisable to adopt the stock-specific approach. Investors can accumulate quality stocks in a staggered manner.

Nifty Outlook:	
Short-term	Neutral
Medium-term	Neutral to Negative
Long-term	Bullish

Montly Closing	8186	
Monthly High: 8275	Monthly Low : 7893	
Monthly Bias:	Neutral	
Support Level:	7990	7800
Resistance Level:	8480	8600

Moving Average	
Days	SMA
50 Days	8237
200 Days	8265
200 Weeks	7500

IDBI Securities

Event Calendar

Date	Event	Period	Survey	Actual	Prior
2-Jan-17	Nikkei India PMI Mfg	Dec	--	--	52.3
2-Jan-17	Eight Infrastructure Industries	Nov	--	--	0.066
4-Jan-17	Nikkei India PMI Services	Dec	--	--	46.7
4-Jan-17	Nikkei India PMI Composite	Dec	--	--	49.1
6-Jan-17	GDP Annual Estimate YoY	1Q A	--	--	0.076
9-Jan-17	Local Car Sales	Dec	--	--	173606
10-Jan-17	Trade Balance	Dec	--	--	-$13008.9m
10-Jan-17	Exports YoY	Dec	--	--	0.02
10-Jan-17	Imports YoY	Dec	--	--	0.104
12-Jan-17	CPI YoY	Dec	--	--	0.0363
12-Jan-17	Industrial Production YoY	Nov	--	--	-0.019
16-Jan-17	Wholesale Prices YoY	Dec	--	--	0.0315
25-Jan-17	Eight Infrastructure Industries	Dec	--	--	--
31-Jan-17	Fiscal Deficit INR Crore	Dec	--	--	--
31-Jan-17	GDP Annual Estimate YoY	1Q R	--	--	--

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