FIRST LIGHT

02 May 2022

RESEARCH

Supreme Industries | Target: Rs 2,400 | +23% | BUY

Healthy volumes but margins soft; raise to BUY post correction

India Strategy | Monthly Wrap

India likely to outshine Ems

Laurus Labs | Target: Rs 645 | +11% | HOLD

Mixed Q4; non-ARV business guided to drive $1bn in sales

Wipro | Target: Rs 850 | +67% | BUY

In-line performance; maintain BUY

Daily macro indicators

Indicator	27-Apr	28-Apr	Chg (%)
US 10Y yield (%)	2.83	2.82	(1bps)
India 10Y yield (%)	7.08	7.16	7bps
USD/INR	76.53	76.49	0.0
Brent Crude (US$/bbl)	105.3	107.6	2.2
Dow	33,302	33,916	1.8
Hang Seng	19,946	20,276	1.7
Sensex	56,819	57,521	1.2
India FII (US$ mn)	**26-Apr**	**27-Apr**	**Chg ($ mn)**
FII-D	(57.2)	(21.8)	35.4
FII-E	13.6	(364.1)	(377.8)

Source: Bank of Baroda Economics Research

SUMMARY

Supreme Industries

- Q4 revenue grew 23% YoY led by increased realisations (+6%) and volume recovery (+16%)
- EBITDA margin contracted 915bps YoY to 15.3% as RM-to-sales cost surged 1,095bps
- Upgrade from HOLD to BUY given the recent 10% stock price correction; TP maintained at Rs 2,400 (29x FY24E EPS)

Click here for the full report.

India Strategy: Monthly Wrap

- Nifty forward P/E is now close to its 5Y average though a modest cut in estimates looks likely post Q4FY22 results
- We believe inflationary pressure from commodities will abate over H2CY22 given moderation in global growth forecasts
- India is relatively better placed among EMs. We are constructive on the Nifty but global headwinds could cap upsides

Click here for the full report.

BOBCAPS Research
research@bobcaps.in

Laurus Labs

- Q4 topline growth 14% ahead of consensus as healthy CDMO, FDF and non-ARV API sales offset decline in ARV business
- Better product mix overshadowed by negative operating leverage and higher RM/solvent cost, affecting margins
- TP revised to Rs 645 (vs. Rs 570) as we raise FY23/FY24 revenue estimates by 16% each to bake in the Q4 beat; maintain HOLD

Click here for the full report.

Wipro

- Q4 revenue growth slightly ahead of estimates at 3.1% QoQ USD driven by manufacturing, retail and BFSI
- EBIT margin expanded 30bps QoQ to 17.7%, close to our estimate. Attrition increased 110bps QoQ to 23.8%
- Given in-line growth and margins, we keep EPS estimates intact and maintain BUY with an unchanged TP of Rs 850

Click here for the full report.

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 2,400 | ⮝ 23%

SUPREME INDUSTRIES | Plastic Products | 29 April 2022

Healthy volumes but margins soft; raise to BUY post correction

- **Q4 revenue grew 23% YoY led by increased realisations (+6%) and volume recovery (+16%)**
- **EBITDA margin contracted 915bps YoY to 15.3% as RM-to-sales cost surged 1,095bps**
- **Upgrade from HOLD to BUY given the recent 10% stock price correction; TP maintained at Rs 2,400 (29x FY24E EPS)**

Ruchitaa Maheshwari
researchreport@bobcaps.in

High realisations and volume recovery aid strong topline growth: SI's Q4FY22 revenue grew 23% YoY to Rs 25.6bn led by 27% volume growth in plastic pipe systems and a 6% rise in blended realisations to Rs 197/kg (vs Rs 210/kg in Q3FY22). Packaging product volumes declined 16% YoY, consumer products fell 11% and industrial products remained flattish. Overall volumes, however, increased ~16% YoY and ~41% QoQ to 128,607mt led by higher offtake in the housing segment and channel restocking at the dealer level. Aided by an increase in PVC prices (price hike to the tune of 10-12%) and improved demand in Q4, SI was able to recoup a large part of the volumes and sales lost amid the third Covid wave.

Revival in pipes segment: Segment-wise volume/value growth YoY for the quarter was as follows – plastic pipes: +27%/+34%, packaging products: -16%/+3%, industrial products: +0.1%/+2%, and consumer products: -11%/-5%.

EBITDA margin contracts 915bps: Gross margin declined 1,095bps YoY to 28% owing to high volatility in raw material prices and a change in product mix. EBITDA margin dropped 915bps YoY (-105bps QoQ) to 15.3%.

Capex plan of Rs 7bn for FY23: SI plans to incur capex of Rs 7bn including carry-forward commitments of Rs 2.8bn. The entire capex and increased working capital requirement shall be funded from internal accruals.

Growth outlook steady; upgrade to BUY on recent correction: We remain positive on SI's growth and margin prospects supported by its incremental capacity, net debt-free balance sheet and healthy return ratios, as well as the improving housing demand, benefits from government schemes such as 'Nal Se Jal' and renewed infrastructure development. The stock has corrected 10% in less than a month and is trading at a P/E of 23.5x on FY24E, which is a 31% discount to its five-year median of 34.2x. We continue to value SI at 29x FY24E EPS and maintain our TP of Rs 2,400 while upgrading the stock from HOLD to BUY following the recent correction.

Key changes

Target	Rating
◄►	▲

Ticker/Price	SI IN/Rs 1,947
Market cap	US$ 3.2bn
Free float	51%
3M ADV	US$ 2.6mn
52wk high/low	Rs 2,694/Rs 1,873
Promoter/FPI/DII	49%/16%/35%

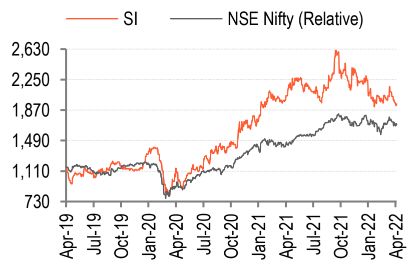
Source: NSE | Price as of 29 Apr 2022

Key financials

Y/E 31 Mar	FY22P	FY23E	FY24E
Total revenue (Rs mn)	77,728	82,438	88,019
EBITDA (Rs mn)	12,421	13,858	14,966
Adj. net profit (Rs mn)	9,684	9,707	10,429
Adj. EPS (Rs)	76.2	76.4	82.1
Consensus EPS (Rs)	76.2	76.3	84.6
Adj. ROAE (%)	27.6	23.7	22.8
Adj. P/E (x)	25.5	25.5	23.7
EV/EBITDA (x)	19.9	18.1	16.9
Adj. EPS growth (%)	1.0	0.2	7.4

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

MONTHLY WRAP | Volume #3 | 29 April 2022

India likely to outshine EMs

- **Nifty forward P/E is now close to its 5Y average though a modest cut in estimates looks likely post Q4FY22 results**
- **We believe inflationary pressure from commodities will abate over H2CY22 given moderation in global growth forecasts**
- **India is relatively better placed among EMs. We are constructive on the Nifty but global headwinds could cap upsides**

Kumar Manish | Aseem Madan
researchreport@bobcaps.in

Nifty 50 declined 2.1% in April: Indian equity markets outperformed their global benchmarks in the US, EU and Japan but underperformed the UK in April. The US market suffered due to a sell-off in technology stocks. In India, the mid- and small-cap indices continue to outperform large-caps. Amongst sectors, energy, PSU banks and consumer outperformed while the banking index was flat. Technology (-12.9%) was a major drag.

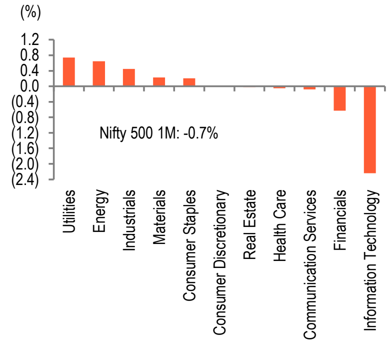
Russia-Ukraine crisis and India: The Russia-Ukraine war has induced significant volatility in both equity and commodity markets. Equities have recovered to pre-war levels, but commodity prices remain elevated despite cooling down from recent highs. The IMF has lowered its global growth forecasts but has penciled in the highest growth for India among large economies for both CY22 and CY23.

Commodity prices have largely peaked: We maintain that commodity prices have largely peaked in March. That said, oil and gas may not correct in the near term. LNG may see another spike in winter as the EU will likely start mopping up spot cargo from across the world. However, most metal prices have started correcting. Note that there's been a series of demand forecast downgrades by IEA (on oil), World Steel Association (on steel) and Alcoa (on aluminum).

Twin factors behind India's power deficit: A combination of coal shortage and surging demand has led to India returning to a peak power deficit. For details, please see our analyst Vinod Chari's recent note: **Expert call – Power shortage to persist near term**. As of yesterday, peak deficit was at 5%. While supply is yet to catch up, the growing demand reflects strong underlying economic activity.

Constructive on index but upside limited: Given robust economic growth momentum, a normal monsoon forecast and rising capacity utilisation levels in the economy, we believe the Indian equity market will continue to attract long-term investors. We are, therefore, constructive on the market but expect upsides to be capped given headwinds from the slowdown in China, interest rate rise and balance sheet rundown in the US.

Contribution to Nifty 500 1M returns



Source: Bloomberg, BOBCAPS Research

RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 645 | ⮝ 11%

LAURUS LABS | Pharmaceuticals | 29 April 2022

Mixed Q4; non-ARV business guided to drive $1bn in sales

- **Q4 topline growth 14% ahead of consensus as healthy CDMO, FDF and non-ARV API sales offset decline in ARV business**
- **Better product mix overshadowed by negative operating leverage and higher RM/solvent cost, affecting margins**
- **TP revised to Rs 645 (vs. Rs 570) as we raise FY23/FY24 revenue estimates by 16% each to bake in the Q4 beat; maintain HOLD**

Surajit Pal | Saad Shaikh
researchreport@bobcaps.in

Sales beat estimates: Laurus's Q4FY22 revenue grew 1% YoY (+39% QoQ), coming in 14% ahead of consensus led by traction in CDMO, non-ARV generics and APIs. CDMO grew 105% YoY due to a large purchase order in Q4 for a recently launched molecule. Oncology/other API rose 13%/4% YoY (-17%/+27% QoQ). FDF business grew 14% YoY (32% QoQ) due to healthy sales in developed markets supported by steady market share gains in the existing portfolio. While Q4 growth came mainly from non-ARV business, ARV sales showed signs of normalising with 46% QoQ growth. Management has guided for US$ 1bn in revenue for FY23 driven by non-ARV sales.

Strong momentum in CDMO: Laurus's CDMO business continued to deliver strong growth (+105% YoY) as it made good progress on existing projects and started supplies to a global life sciences company for the aforementioned purchase order of its newly launched molecule. Management expects to ink a long-term contract for this molecule which will benefit Laurus in FY23 and FY24. The company believes its CDMO capability expansion positions it well to capture new opportunities.

RM and solvent availability plus cost inflation weigh down margins: Despite a better product mix marked by higher CDMO sales and lower ARV sales, gross/EBITDA margins contracted 350bps/560bps YoY (-670bps/flat QoQ) to 52%/27.8% in Q4 due to raw material/solvent cost inflation, pricing pressure and higher logistics cost.

Maintain HOLD; TP increased to Rs 645: We raise our FY23/FY24 revenue estimates by 16% each and EBITDA estimates by 12% each to factor in the strong growth in CDMO, FDF and non-ARV APIs in Q4, coupled with management's robust sales guidance. We retain HOLD on Laurus with a revised TP of Rs 645 (Rs 570 earlier), based on an unchanged 17x FY24E EV/EBITDA multiple.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	LAURUS IN/Rs 583
Market cap	US$ 4.1bn
Free float	74%
3M ADV	US$ 16.2mn
52wk high/low	Rs 724/Rs 440
Promoter/FPI/DII	27%/23%/5%

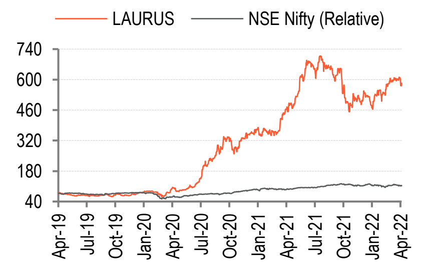
Source: NSE | Price as of 29 Apr 2022

Key financials

Y/E 31 Mar	FY22P	FY23E	FY24E
Total revenue (Rs mn)	49,360	63,206	73,090
EBITDA (Rs mn)	14,229	17,698	21,196
Adj. net profit (Rs mn)	8,284	10,071	11,799
Adj. EPS (Rs)	15.4	18.8	22.0
Consensus EPS (Rs)	15.4	21.1	26.1
Adj. ROAE (%)	27.8	26.5	24.6
Adj. P/E (x)	37.8	31.1	26.5
EV/EBITDA (x)	22.9	18.7	15.7
Adj. EPS growth (%)	(14.3)	21.6	17.2

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

FLASH NOTE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 850 | ⮝ 67%

WIPRO | Technology & Internet | 29 April 2022

In-line performance; maintain BUY

- **Q4 revenue growth slightly ahead of estimates at 3.1% QoQ USD driven by manufacturing, retail and BFSI**
- **EBIT margin expanded 30bps QoQ to 17.7%, close to our estimate. Attrition increased 110bps QoQ to 23.8%**
- **Given in-line growth and margins, we keep EPS estimates intact and maintain BUY with an unchanged TP of Rs 850**

Seema Nayak
researchreport@bobcaps.in

In-line growth: WPRO reported Q4FY22 revenue growth of 3.1% QoQ USD, within its guided range and marginally above our estimate of 2.7%. Growth was spurred by the manufacturing-hi tech/retail/financial solution verticals which increased 7.7%/4.3%/3.7% QoQ USD. Among geographies, the Americas continued to rally at 4.3% QoQ USD while Europe delivered muted growth (+1.7%). Top-5/10 clients continued to grow at a rapid pace of 3-5% QoQ. WPRO is closing the year with its best-ever deal pipeline and indicated that the business environment remains robust.

Margin impacted by rising employee cost: EBIT margin stood at 17%, down 60bps QoQ (due to rise in employee cost) and tad below our estimate of 17.5%. Subcontracting costs formed 10.3% of revenue in Q4 vs. 13.8% in Q3FY22.

Rizing acquisition to aid FullStride: In line with the buying spree among peers, WPRO acquired global SAP consulting firm 'Rizing' for US$ 540mn, which will enhance its cloud capabilities, augment prowess in SAP-focused verticals such as RCPG and ENU, and add to its FullStride cloud suite. Capco, WPRO's other major acquisition, has shown double-digit growth YoY in Q4.

Attrition persists: Attrition at 23.8% increased 110bps QoQ and almost doubled YoY. WPRO added ~11.4k employees QoQ, among its highest-ever quarterly hiring levels. Utilisation at 85.2% was flattish sequentially.

Guidance conservative: Management has guided for 1-3% QoQ growth in Q1FY23, 1ppt below its usual guided range of 2-4%, and for double-digit growth in FY23. WPRO has a 29.3% revenue share from Europe and a potential indirect impact on this business from the Russia-Ukraine war could explain its conservative stance. Going forward, the company intends to focus more on the retail, BFSI and ENU verticals. It expects slightly lower margins for the next few quarters due to investments.

Maintain BUY: We keep our FY23/FY24 estimates unchanged given the in-line Q4 performance and maintain our target P/E of 28.8x. Our TP remains at Rs 850 – BUY.

Ticker/Price	WPRO IN/Rs 509
Market cap	US$ 36.8bn
Free float	26%
3M ADV	US$ 56.3mn
52wk high/low	Rs 740/Rs 478
Promoter/FPI/DII	74%/9%/17%

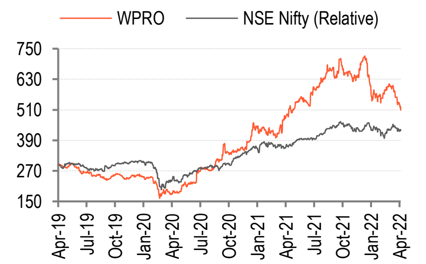
Source: NSE | Price as of 29 Apr 2022

Key financials

Y/E 31 Mar	FY22A	FY23E	FY24E
Total revenue (Rs mn)	795,289	917,369	1,002,235
EBITDA (Rs mn)	164,407	205,874	225,119
Adj. net profit (Rs mn)	119,423	152,315	165,631
Adj. EPS (Rs)	21.6	27.6	30.0
Consensus EPS (Rs)	21.6	23.3	25.8
Adj. ROAE (%)	19.7	22.4	22.9
Adj. P/E (x)	23.5	18.5	17.0
EV/EBITDA (x)	16.3	13.1	12.0
Adj. EPS growth (%)	9.8	27.5	8.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Click here for our last detailed report

Disclaimer

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Rating distribution

As of 30 April 2022, out of 116 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 66 have BUY ratings, 30 have HOLD ratings, 5 are rated ADD*, 1 is rated REDUCE* and 14 are rated SELL. One company rated ADD has been an investment banking client in the last 12 months. (*Our ADD and REDUCE ratings are in the process of being migrated to the new recommendation structure.)

Analyst certification

Each of the analysts mentioned in this research report certify, with respect to the sections of the report for which they are responsible, that (1) all of the views expressed in this report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOBCAPS.

Important disclosures

This product is a compilation of previously published research notes. To view the complete report along with the associated Analyst certifications and Company-specific disclosures, please click on the hyperlink accompanying each excerpt.

General disclaimers

BOBCAPS is engaged in the business of Institutional Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2025. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017. BOBCAPS CIN Number: U65999MH1996GOI098009.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions 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. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities —that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may act as market makers or assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

Other disclosures

BOBCAPS does not have any financial interest in the subject company. BOBCAPS does not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS is not engaged in any market making activities for the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.