

WEALTH WEEKLY

Weekly Alerts You Can Use!

Weekly View: Nifty, Bank Nifty:

Indices	CMP	Support	Resistance	50 DMA	200 DMA	Range	Preferred Trade
NIFTY	18269	17851	18697	18081	17144	17901-18575	Sell at CMP. Targets at 18151/17901/17651. Stop at 18697.
BANK NIFTY	43220	42101	45001	41720	37716	42175-44251	Sell at CMP. Targets at 42101/41775/40451. Stop at 44451.

Medium Term Pick:

Stocks	CMP	Support	Resistance	50 DMA	200 DMA	Bias	Preferred Trade
DR REDDY'S LAB	4309	4217	4569	4420	4265	Negative	DR REDDYS LAB is likely to be a major underperformer from the Pharma space. A probable 'Double Top' pattern on the daily charts followed by bearish candles on the monthly charts plus a bearish engulfing pattern right smack on the intermediate bearish trend on the weekly charts. Most importantly, the momentum oscillators signaling major weakness. The key risks are delay in launching new products, regulatory hurdles, and higher than anticipated competition on Revlimid. Establishing short positions at CMP should be the preferred trading strategy, targeting 4217/4000 and then aggressive targets seen at 3789-3801 zone. Stop above 4569. Holding Period: 1-2 Months.

CMP	4309
Target Price	4217
52 Week H/L	4931/3654
P/E	23.40
EPS	186.76
P/BV	3.74
Book Value	1153.90
Market Cap (in ₹ crores)	71,746

Daily Chart of DREDDY'S :



Incorporated in the year 1984, Dr. Reddy's Laboratories Ltd (DRL) is an Indian pharmaceutical manufacturer with a portfolio including pharmaceutical generics, 60+ APIs, custom pharmaceutical services, biosimilar, diagnostic kits and differentiated formulations. DRL has 13 formulation facilities, nine API manufacturing facilities, one biologics facility and several R&D centres across the globe.

Dr Reddy's (DRL) revenue consists of US (38%), India (18%), Russia and CIS (124), Europe (8%), RoW (8%) and API (16.8%).

Revenues from Emerging Markets at Rs. 1,300cr (+50% YoY and +42% QoQ) particularly from Russia, Romania, CIS countries.

DRL reported revenue growth at 9.4% YoY (26.6% QoQ) to INR 63,318 mn

Pricing pressure witnessed on some key products – Atrovastatin, Metoprolol, Liposomal Doxorubicin, Buprenorphine and Naloxone. increased competition in key products like gSuboxone and price erosion of 7-8% lead to decline in business.

The key risks are delay in launching new products, regulatory hurdles, and higher than anticipated competition on Revlimid.

Technically, Dr. Reddy's Laboratories Ltd (DRL) stock price pattern appears ugly at current levels.

Technically speaking, the biggest negative catalyst is prevailing Double Top pattern bearish technical conditions as the last week's sell-off in the stock price could trigger some more corrective declines and also on backdrop ugly looking charts, there is limited room for upside. The 200-DMA of the stock is around 4265 levels.

Firstly, overbought technical conditions prevail on the monthly charts on backdrop of a probable dark cloud cover pattern on the monthly charts. The momentum oscillators are seen shifting in sell mode signaling further sharp corrective down move. The stock price has already signaled a break down from a "lower consolidation zone" on the weekly — confirmation of the same below 4000 mark. Immediate downside risk below a 4000 close is at March low at 3653 zone.

Establishing short positions at CMP should be the preferred trading strategy, targeting 4217/4000 and then aggressive targets seen at 3789-3801 zone. Stop above 4569. Holding Period: 1-2 Months.

Mehta Equities

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