

WEALTH WEEKLY

Weekly Alerts You Can Use!

Weekly View: Nifty, Bank Nifty:

Indices	CMP	Support	Resistance	50 DMA	200 DMA	Range	Preferred Trade
NIFTY	17531	17161	17820	17191	16981	17181-17775	Sell at CMP. Targets at 17161/16921/16651. Stop at 17845.
BANK NIFTY	40777	37943	41163	38004	36454	38201-41751	Sell at CMP. Targets at 37943/35751/34201. Stop at 41575.

Medium Term Pick:

Stocks	CMP	Support	Resistance	50 DMA	200 DMA	Bias	Preferred Trade
DR REDDY'S LAB	4077	4411	3907	4276	4310	Negative	DR REDDYS LAB has been a major underperformer from the Pharma space. A probable double top pattern on the weekly charts followed by bearish candles on the monthly charts plus a bearish engulfing pattern right smack on the intermediate bearish trend on the daily charts. Most importantly, the momentum oscillators signaling major weakness. Pricing pressure witnessed on some key products – Atrovastatin, Metoprolol, Liposomal Doxorubicin, Buprenorphine and Naloxone. Establishing short positions at CMP should be the preferred trading strategy, targeting 3907/3653 and then aggressive targets seen at 3350-3400 zone. Stop above 4411. Holding Period: 1-2 Months.

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.

Daily Chart of DR Reddy's :



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 delivered a miss on earnings for the quarter ending June 2022 as consolidated net sales has increased only 5.82% to Rs 5232.9 crore compared to quarter ended June 2021. Sales of Pharmaceutical Services segment has gone down 7.98% to Rs 826.30 crore. Profit before tax grew 170.51% to Rs 1,458.60 crore. Share of profit/loss was 43.37% lower at Rs 9.4 crore. Provision for tax was expense of Rs 279 crore, compared to Rs 175.4 crore.

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.

DRL's COVID-19 products launched until now, including Sputnik V vaccine, Remdesivir, Avigan (Favipiravir), 2-deoxy-D-glucose (2-DG) in India as well as overseas. Currently, the company is conducting clinical trials for Sputnik Light, Molnupiravir and is also developing several other COVID drugs for treatment ranging from mild to severe conditions.

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

Technically speaking, the biggest negative catalyst is prevailing overbought technical conditions as the recent down trend 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 3929 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 3907/3653 and then aggressive targets seen at 3350-3400 zone. Stop above 4411. Holding Period: 1-2 Months.

Mehta Equities

903 Lodha Supremus, Dr. E Moses Road, Worli Naka, Mumbai - 400 018 Board: +91-22-61507100/101 Fax: +91-22-61507102