

## HIKAL Limited.

### BUY

<b>CMP</b>	Rs. 420
<b>Target Price</b>	Rs. 595
<b>Time Frame</b>	9-12 months
<b>Risk</b>	Medium
<b>Sector</b>	Pharmaceuticals.



### Price & Volume Analysis

% Change from previous Day	<b>1.66%</b>
% Change from previous Month	<b>4.36%</b>
52 Week High	<b>742</b>
52 Week Low	<b>145</b>
Weekly H/L	<b>400/426</b>
Deliverable	<b>59.92%</b>
Book Value / Share	<b>82.31</b>
EPS	<b>15.46</b>
Market Cap (Rs. CR)	<b>5,184</b>

Incorporated in the year 1988, Hikal Ltd is a small-cap company with a market capitalization of Rs 4,755.71 crore, engaged in the manufacturing of various chemical intermediates, specialty chemicals, active pharma, ingredients, and contract research activities. The Company's operating segments include the crop protection and pharmaceuticals space. Hikal reported flat Q3FY22 results but that said growth was driven by crop protection. Revenues were up 11.1% YoY to Rs 514.5 crore. EBITDA was at Rs 92.9 crore, up 1.7% YoY with margins at 18.1%. Consequent PAT was at Rs 45.2 crore (up 12.2% YoY).

### Momentum Analysis

RSI (14, E9) Monthly	<b>56.75</b>
Smoothed RSI	<b>62.83</b>
Stochastic oscillator monthly (1,3,3)	<b>47.51</b>

The positive takeaway is that the 14-period RSI has witnessed a positive reverse divergence and most importantly, the ongoing upsurge is crystal clear that the stock is in aiming for a strong rebound. Stochastic oscillators too are signalling a massive rebound from an oversold terrain.

### Support & Resistance Analysis

Support 1	<b>377</b>
Support 2	<b>325</b>
Resistance 1	<b>477</b>
Resistance 2	<b>621</b>

Extreme oversold conditions prevail on the weekly and monthly time frames. The stock price is attempting to mark a massive rebound on the daily charts and we firmly believe the said little uptrend is likely to be rewarding with aggressive targets at Jan 2022 high at 595. Immediate supports are placed at 377 and then major supports are placed at 325-340 zone.

### Trend Analysis

Moving Average - 50 Days	<b>395</b>
Moving Average - 200 Days	<b>511</b>
ADX (14d)	<b>19.91</b>
Bollinger Band Weekly	<b>466/328</b>
MACD Weekly	<b>-23.09</b>

The daily time frame suggests that the stock price is piercing above its 50 days EMA line and with sequence of higher high/low intact in intraday-and-daily-time-frames. The bounce is now resulting into a massive breakout on the upside on the monthly/weekly charts. ADX indicator too suggesting robust positive bias.

### CONCLUSION

Hikal is primarily a B2B player that provides intermediates and active ingredients to global pharmaceutical, animal health, crop protection, and specialty chemical companies. The company's segments include crop protection and pharmaceuticals. The company operates in various geographical areas, including India, Europe, the U.S., Canada, and South East Asia

Animal health business accounts for 20-25% of CDMO business. In crop protection, 70% of revenue is derived from CDMO, with the remaining from proprietary products, specialty chemicals, and specialty biocides. Hikal owns five manufacturing facilities: Taloja, Mahad (Maharashtra), Panoli (Gujarat), Jigani (Karnataka), and an R&D centre at Pune.

Hikal is well poised to leverage its position in APIs for pharma and crop-protection businesses due to constraint of China API supplies and new product launches.

In a recent press release, the company has informed the exchanges regarding signing of a 10-year multi product contract with a leading global pharmaceutical/ Life Science innovator company. The development is expected to be started this year and commercial supplies to be commenced post successful development and plant commercialisation by FY2024 onwards.

Preferred Strategy: Establish buy positions at CMP, and on dips between 350-375 zone, targeting 471 and then aggressive targets seen at 595 mark.



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POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.

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