



SMIFS
LIMITED
LEGACY | TRUST | GROWTH

MONTHLY

R|SEARCH RECOMMENDATIONS

December 2022

INFOSYS LTD. (Previous Close: INR1634.95)

Buying Range: INR1600 – INR1550 | Stop-Loss: Closing Below INR1475 | Target : INR1775

Risk/Reward Ratio- around 1:2

Projected Timeframe - 2 Months

Projected Profit- around 12%

Projected Loss- around 6%

The stock is seen breaking out a short-term descending trend line that offers a midterm investment opportunity with favorable risk-reward ratio.

Weekly Chart:



Technical View:

After reacting up from the critical 150 EMA band placed around 1350 levels, the stock is seen making higher highs pattern leading to a descending trend line break out. Both leading indicators stochastic oscillator and RSI seen moving higher in tandem with rising trend suggesting further upside in coming days.

Based on the aforementioned explanations, we recommend buying INFOSYS on dips in the price range of 1600-1550 for the target of 1775.

INFOSYS LTD. (Previous Close: INR1634.95)

Buying Range: INR1600 – INR1550 | Stop-Loss: Closing Below INR1475 | Target : INR1775

Fundamental View:

Infosys Ltd provides consulting, technology, outsourcing and next-generation digital services to enable clients to execute strategies for their digital transformation.

Digital Services (~57% of revenues) - It comprises of services and solution offerings of the group that enables clients to transform their businesses. It includes offerings that enhance customer experience, leverage AI-based analytics and big data, engineer digital products and IoT, modernize legacy tech systems, migrate to cloud applications and implement advanced cyber-security systems.

Core Services (~43% of revenues)-It comprises of traditional offerings of the group that include application management services, proprietary application development services, independent validation solutions, product engineering and management, infrastructure management services, traditional enterprise application implementation and support and integration services.

The company also offers various services through its key products and platforms viz. Infosys Finacle, Infosys McCamish, Panaya, Infosys Meridian, Helix, Equinox, Wingspan, Edgeverve, Stater and others.

In terms of verticals, Infosys derived about 32% of its revenue from the banking, financial services, and insurance (BFSI) segment during fiscal 2022 which grew by ~20% during the year. The company also has presence in other verticals, such as retail (14.6% of revenue in fiscal 2022), communication (12.5%), energy, utilities, resources & services (11.9%), manufacturing (10.9%), Hi-Tech (8.3%), life sciences (7%), and others. The company caters to ~185 of Fortune 500 companies. It has 38 of 100+ million USD clients, 64 50+ million USD clients, 275 10+ million USD clients, ~850 1+ million USD clients. Its clients include companies/ organizations like ICICI Bank, Daimler Mercedes-Benz, HSBC Bank, Goldman Sachs, J&J, Accenture, US Army, US Navy, Lockheed Martin, IBM Corporation, Deutsche Bank and others.

The company has continued to win large deals amounting \$9.5 billion during fiscal 2022, albeit moderated from \$14.1 billion registered last fiscal; this is further expected to fuel revenue growth. Revenue growth and margins are supported by premium pricing power with increasing digital share and large spectrum of service offerings which are critical components in large deals. Operating margin is likely to moderate but remain healthy in the range of 25-26% for fiscal 2023, due to wage hikes, increased hiring cost with high attrition, resumption of travel and other discretionary costs.

Infosys is expected to sustain double digit revenue growth in fiscal 2023, led by strong deal wins across verticals and increase in demand for digital services. The company registered healthy revenue growth of 21% on-year in fiscal 2022 (19.7% in constant currency), owing to healthy demand for IT services across verticals such as financial services (32% of revenue), manufacturing (10.9% of revenue), retail (14.6% of revenue), communications (12.5% of revenue). OPBDIT (operating profit before depreciation, interest, and tax) remained healthy at 26.2% in fiscal 2022, though moderated by 140 basis points due to high employee costs with peak attrition rates and resumption of travel and discretionary costs.

Infosys has a strong financial risk profile, driven by its healthy annual cash generating ability and debt-free balance sheet (for over a decade). Net cash accrual stood at Rs 12,888 crore for fiscal 2022, after a dividend payout of Rs 12,734 crore. Liquidity remains superior driven by cash surplus of Rs 40,006 crore as on March 31, 2022.

First mover advantage in metaverse - metaverse business is expected to increase to USD 47.48 billion in 2022, and surge to USD 678 billion by 2030. Currency tailwinds, attrition issue should subsist going ahead. Going ahead the consultancy business should also start contributing as the company has been doing acquisitions in the space since 2015. The consultancy business rampup could substantially benefit the technology services growth. We expect the company to report revenue and PAT CAGR of ~ 16% and ~17% respectively. The stock is currently trading at 23x FY24E earnings, we recommend a BUY.

HOUSING & URBAN DEVELOPMENT CORP LTD. (Previous Close: INR53.30)

Buying Range: INR50 – INR45 | Stop-Loss: Closing Below INR39 | Target: INR65

Risk/Reward Ratio- around 1:2

Projected Timeframe - 1 Month

Projected Profit- around 36%

Projected Loss- around 18%

After a prolonged downtrend, the stock is seen breaking out the long-term descending trend line that offers a midterm investment opportunity with favorable risk-reward ratio.

Weekly Chart:



Analysis:

After a prolonged down trend, the stock is seen taking support along a short-term ascending trend line followed by a longer-term descending trend line breakout taking place around 40 levels. Rise in volume during the breakout suggesting strength of this breakout. Leading indicator RSI moving up without interruption while the ADX has just started trending higher above twenty also suggesting continuation of current bullish trend.

Based on the aforementioned explanations, we recommend buying HUDCO on dips in the price range of 50-45 for the target of 65.

BHARAT HEAVY ELECTRICALS LTD. (Previous Close: INR83.70)

Buying Range: INR75 – INR70 | Stop-Loss: Closing Below INR50 | Target 1: INR120 | Target 2: INR130

Risk/Reward Ratio- around 1:2
Projected Timeframe - 3 Month

Projected Profit- around 66%
Projected Loss- around 33%

The stock is seen breaking out a prolonged Inverse Head and Shoulder that offers a midterm investment opportunity with favorable risk-reward ratio.

Weekly Chart:



Analysis:

After turning back from around 45 levels, the stock is seen breaking out a prolonged Inverse Head and Shoulder. Inverse Head and Shoulder breakout pointing towards longer-term reversal, which may unfold next leg of up move towards 120 and 130 levels. Rise in volume during the inverse Head and Shoulder formation suggesting longer-term accumulation. Leading indicator RSI moving up without interruption while the ADX has just started trending higher above thirty also suggesting continuation of current bullish trend. 13-30 MA bullish crossovers confirms this uptrend more significantly.

Based on the aforementioned explanations, we recommend buying BHEL on dips in the price range of 75-70 for the targets of 120 and 130.

FORTIS HEALTHCARE LTD.

CMP (INR) (As on 30th Nov 2022): INR 291 | Target: INR 360 | Upside (%): 24% | Recommendation: Buy | Timeframe – 12 to 18 Months

Stock Scan

Market cap (INR mn)	218,178
Outstanding Shares (mn)	754.9
Face Value (INR)	10
Dividend Yield (%)	0.17%
P/E (x)	47.0
P/B (x)	3.2
Debt/Equity (x)	0.2
Beta vs. Sensex	1.57
52 Week High/ Low (INR)	220/325
Avg. Daily Volume (NSE)/3 mth (mn)	0.5

Fortis is one of the top hospitals in India with a network of more than 30 hospitals. 75% revenues comes form hospital business while 25% is from diagnostic business. We expect strong growth in hospital business to continue with capacity debottlenecking and case mix improvement. We expect revenue CAGR of 13% from FY22-FY25E as the high-end surgeries would continue to increase leading to improved case mix. Around 1500 beds would be added in the next 4-5 years. The patients mix and occupancy to improve from 63% in FY22 to 70%-75% by FY24E going forward. The company plans to increase their cash and TPA business and reduce its Institutional business leading to improved payor mix.

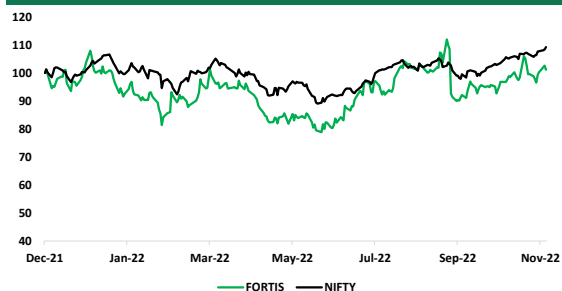
Outlook & Valuation :

We are positive about the prospects connected with Fortis. Both the Hospitals business and SRL should perform robustly in the future. Since, the Supreme court case overhang is resolved we have increased our EV/EBITDA multiple for hospital business. We have valued the Hospitals business at 18x on Sep FY24e EV/EBITDA (15x earlier) and the Diagnostics business (SRL) at 18x on Sep FY24e EV/EBITDA to arrive at a Target Price of Rs 360. This provides an upside of 24% with respect to the current market price. Accordingly, we recommend a “Buy” rating on the stock.

Shareholding Pattern (%)

	Sep-22	Jun-22	Mar-22	Dec-21
Promoter	31.2	31.2	31.2	31.2
FII	30.6	29.6	29.8	30.0
DII	16.9	16.3	15.5	14.3
Public	21.3	22.9	23.5	24.5

Stock vs. Nifty (Relative Returns)



Financial Performance at a glance

Particulars (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Net sales	46,323	40,299	57,176	67,277	78,866
Growth (%)	3.6	-13	41.9	17.7	17.2
EBITDA	6,095	4,042	8,762	11,533	14,547
EBITDA margin (%)	13.2	10	15.3	17.2	18.4
PAT	343	-1,084	1,257	5,208	7,211
PAT margin (%)	0.7	-2.7	2.2	7.7	9.1
EPS (Rs)	0.5	-1.4	1.7	6.9	9.6
P/E (x)	177.2	-97.3	34.8	42	30.4
P/BV (x)	3.3	3.6	3.5	3.4	3.1
RoE (%)	0.5	-1.8	2	8.1	10
RoCE (%)	3.6	1.1	5.4	8.1	10.3
EV/EBITDA (x)	19	29	23.1	18.5	14.1

FORTIS HEALTHCARE LTD.

CMP (INR) (As on 30th Nov 2022): INR 291 | Target: INR 360 | Upside (%): 24% | Recommendation: Buy | Timeframe – 12 to 18 Months

Investment Rationales:

✓ **Hospital business continues to grow strongly**

Q2FY23 Hospitals business revenue witnessed growth of 18.1% to Rs 12,970 Mn mainly due to increased occupancy level (70%) and increase in ARPOB by 5.3% YoY. International patient revenues grew 164% to Rs. 1,090 Mn in Q2FY23. The business contributed 8.4% to overall hospital business revenues versus 3.8% in Q2FY22 and 7.5% in Q1FY23. EBITDA margins for the hospital business witnessed improvement of 150 bps YoY and 200 bps QoQ to 18.2%.

✓ **Diagnostic business has shown improvement sequentially**

Diagnostics business gross revenues declined 12.8% YoY to Rs 3,512 Mn versus Rs 4,027 Mn in Q2FY22. However there has been improvement on sequential basis by 5.6%. Diagnostics revenues declined primarily due to the significantly lower covid volumes as compared to Q2 FY22 that had witnessed severe Covid waves. The diagnostics business EBITDA was Rs 663 Mn in Q2FY23 versus Rs 1,005 Mn in Q2FY22. EBITDA in Q1FY23 stood at Rs 578 Mn. (18.9% margin in Q2FY23 versus 25% margin in Q2FY22 and 17.4% in Q1FY23).

We are positive about the prospects connected with Fortis. Both the Hospitals business and SRL should perform robustly in the future. Since, the Supreme court case overhang is resolved we have increased our EV/EBITDA multiple for hospital business. We have valued the Hospitals business at 18x on Sep FY24e EV/EBITDA (15x earlier) and the Diagnostics business (SRL) at 18x on Sep FY24e EV/EBITDA to arrive at a Target Price of Rs 360. This provides an upside of 24% with respect to the current market price. Accordingly, we recommend a “Buy” rating on the stock.



Research catering to client needs

	Long term Investing	Medium term investing	Short term Trading	Intra – day Trading
Fundamentals	High	Medium	Low	Absent
Derivatives	Low	Low	High	High
Technicals	Low	Low	High	High

Research Basket

Long-term Investment

- 12 to 18 month perspective – Detailed company reports
- Others – Muhurat Picks and Annual Strategy Picks

Medium-term Investment

- 3 to 6 months perspective
- Technical and Quant Picks

Short-term Investment & Trading

- 1 month investment call
- Positional Momentum Picks
- BTST, STBT on leading stocks

Intraday Trading

- Daily Calls – Cash, Futures and Options

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Analyst holding in stock: **NO**

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