

RESEARCH REPORT ON INDIAN ADRS



What Is an American Depositary Receipt (ADR)?

The term American depositary receipt (ADR) refers to a negotiable certificate issued by a U.S. depositary bank representing a specified number of shares—usually one share—of a foreign company's stock. The ADR trades on U.S. stock markets as any domestic shares would.

ADRs offer U.S. investors a way to purchase stock in overseas companies that would not otherwise be available. Foreign firms also benefit, as ADRs enable them to attract American investors and capital without the hassle and expense of listing on U.S. stock exchanges.

How American Depositary Receipts (ADRs) Work

American depositary receipts are denominated in U.S. dollars. The underlying security is held by a U.S. financial institution, often by an overseas branch. ADR holders do not have to transact the trade in the foreign currency or worry about exchanging currency on the forex market. These securities are priced and traded in dollars and cleared through U.S. settlement systems.

In order to begin offering ADRs, a U.S. bank must purchase shares on a foreign exchange. The bank holds the stock as inventory and issues an ADR for domestic trading. ADRs list on either the New York Stock Exchange (NYSE) or the Nasdaq, but they are also sold over-the-counter (OTC).¹

U.S. banks require that foreign companies provide them with detailed financial information. This requirement makes it easier for American investors to assess a company's financial health.

Types of American Depositary Receipts

American depositary receipts come in two basic categories:

Sponsored ADRs

A bank issues a sponsored ADR on behalf of the foreign company. The bank and the business enter into a legal arrangement. The foreign company usually pays the costs of issuing an ADR and retains control over it, while the bank handles the transactions with investors. Sponsored ADRs are categorized by what degree the foreign company complies with Securities and Exchange Commission (SEC) regulations and American accounting procedures.

Unsponsored ADRs

A bank also issues an unsponsored ADR. However, this certificate has no direct involvement, participation, or even permission from the foreign company. Theoretically, there could be several unsponsored ADRs for the same foreign company, issued by different U.S. banks. These different offerings may also offer varying dividends. With sponsored programs, there is only one ADR, issued by the bank working with the foreign company.

One primary difference between the two types of ADRs is where they trade. All except the lowest level of sponsored ADRs register with the SEC and trade on major U.S. stock exchanges. Unsponsored ADRs will trade only over the counter. Unsponsored ADRs never include voting rights.

ADR Levels

ADRs are additionally categorized into three levels, depending on the extent to which the foreign company has accessed the U.S. markets.

Level I

This is the most basic type of ADR where foreign companies either don't qualify or don't want to have their ADR listed on an exchange. This type of ADR can be used to establish a trading presence but not to raise capital.

Level I ADRs found only on the over-the-counter market have the loosest requirements from the Securities and Exchange Commission (SEC) and they are typically highly speculative. While they are riskier for investors than other types of ADRs, they are an easy and inexpensive way for a foreign company to gauge the level of U.S. investor interest in its securities.

Level II

As with Level I ADRs, Level II ADRs can be used to establish a trading presence on a stock exchange, and they can't be used to raise capital. Level II ADRs have slightly more requirements from the SEC than do Level I ADRs, but they get higher visibility and trading volume.

Level III

Level III ADRs are the most prestigious. With these, an issuer floats a public offering of ADRs on a U.S. exchange. They can be used to establish a substantial trading presence in the U.S. financial markets and raise capital for the foreign issuer. Issuers are subject to full reporting with the SEC.

American Depositary Receipt Pricing and Costs

An ADR may represent the underlying shares on a one-for-one basis, a fraction of a share, or multiple shares of the underlying company. The depositary bank will set the ratio of U.S. ADRs per home-country share at a value that they feel will appeal to investors. If an ADR's value is too high, it may deter some investors. Conversely, if it is too low, investors may think the underlying securities resemble riskier penny stocks.

Because of arbitrage, an ADR's price closely tracks that of the company's stock on its home exchange. Remember that arbitrage is buying and selling the same asset at the same time in different markets. This allows traders to profit from any differences in the asset's listed price.

ADRs and Taxes

Holders of ADRs realize any dividends and capital gains in U.S. dollars. However, dividend payments are net of currency conversion expenses and foreign taxes. Usually, the bank automatically withholds the necessary amount to cover expenses and foreign taxes.

Since this is the practice, American investors would need to seek a credit from the IRS or a refund from the foreign government's taxing authority to avoid double taxation on any capital gains realized.³

Those interested in learning more about ADRs and other financial topics may want to consider enrolling in one of the best investing courses currently available.

ADR Fees

Investing in an ADR may incur additional fees that are not charged for domestic stocks. The depositary bank that holds the underlying stock may charge a fee, known as a custody fee, to cover the cost of creating and issuing an ADR.

This fee will be outlined in the ADR prospectus, and typically ranges from one to three cents per share. The fee will be either deducted from dividends, or passed on to the investor's brokerage firm.

Advantages and Disadvantages of American Depositary Receipts

As with any investment, there are distinct advantages and disadvantages of investing in ADRs. We've listed some of the main ones below.

Advantages

As noted above, ADRs are just like stocks. This means they trade on a stock exchange or over the counter, making them fairly easy to access and trade. Investors can also easily track their performance by reviewing market data.

Purchasing ADRs is easy because they're available directly through American brokers. This eliminates the need to go through foreign channels to buy stock in a company in which you may be interested. And since they're available domestically, shares are denominated in U.S. dollars, which means you avoid any direct risks associated with fluctuations in currency rates.

One of the most obvious benefits of investing in ADRs is that they provide investors with a way to diversify their portfolios. Investing in international securities allows you to open your investment portfolio up to greater rewards (along with the risks).

Disadvantages

The main problems associated with ADRs are that they may involve double taxation—locally and abroad—and how many companies are listed. Unlike domestic companies, there are a limited number of foreign entities whose ADRs are listed for the public to trade.

As noted above, some ADRs may not comply with SEC regulations. These are called unsponsored ADRs, which have no direct involvement by the company. In fact, some companies may not even provide permission to list their shares this way.

Although investors can avoid any of the direct risks that come with currency exchange, they may incur currency conversion fees when they invest in ADRs. These fees are established in order to directly link the foreign security and the one traded on the domestic market.

Pros

- Easy to track and trade
- Available through U.S. brokers
- Denominated in dollars
- Offer portfolio diversification

Cons

- Could face double taxation
- Limited selection of companies
- Unsponsored ADRs may not be SEC-compliant
- Investor's may incur currency conversion fees

History of American Depositary Receipts

Before American depositary receipts were introduced in the 1920s, American investors who wanted shares of a non-U.S. listed company could only do so on international exchanges—an unrealistic option for the average person back then.

While easier in the contemporary digital age, there are still drawbacks to purchasing shares on international exchanges. One particularly daunting roadblock is currency exchange issues. Another important drawback is the regulatory differences between U.S. and foreign exchanges.

Before investing in an internationally traded company, U.S. investors have to familiarize themselves with the different financial authority's regulations, or they could risk misunderstanding important information, such as the company's financials. They might also need to set up a foreign account, as not all domestic brokers can trade internationally.

ADRs were developed because of the complexities involved in buying shares in foreign countries and the difficulties associated with trading at different prices and currency values. J.P. Morgan's (JPM) predecessor firm Guaranty Trust pioneered the ADR concept. In 1927, it created and launched the first ADR, enabling U.S. investors to buy shares of famous British retailer Selfridges and helping the luxury department store tap into global markets. The ADR was listed on the New York Curb Exchange.

A few years later, in 1931, the bank introduced the first sponsored ADR for British music company Electrical & Musical Industries (also known as EMI), the eventual home of the Beatles.⁴ Today, J.P. Morgan and BNY Mellon, another U.S. bank, continue to be actively involved in the ADR markets.

If I Own an ADR, Is It the Same As Owning Shares in the Company?

Not exactly. ADRs are U.S. dollar-denominated certificates that trade on American stock exchanges and track the price of a foreign company's domestic shares. ADRs represent the prices of those shares, but do not actually grant you ownership rights as common stock typically does. Some ADRs pay dividends and may be issued at various ratios. The most common ratio is 1:1 where each ADR represents one common share of the company.

If an ADR is listed on an exchange, you can buy and sell it through your broker like any other share. Because of this, and since they are priced in U.S. dollars, ADRs allow American investors a way to diversify their portfolios geographically without having to open overseas accounts or dealing with foreign currency exchange and taxes.

What Is a Sponsored vs. an Unsponsored ADR?

All ADRs are required to have a U.S. investment bank act as their depositary bank. The depositary bank is the institution that issues ADRs, maintains a record of the holders of ADRs, registers the trades carried out, and distributes the dividends or interest on shareholders' equity payments in dollars to ADR holders.

In a sponsored ADR, the depositary bank works with the foreign company and their custodian bank in their home country to register and issue the ADRs. An unsponsored ADR is instead issued by a depositary bank without the involvement, participation, or even the consent of the foreign company it represents ownership in. Unsponsored ADRs are normally issued by broker-dealers that own common stock in a foreign company and trade over-the-counter. Sponsored ADRs are more commonly found on exchanges.

Why Do Foreign Companies List ADRs?

Foreign companies often seek to have their shares traded on U.S. exchanges through ADRs in order to obtain greater visibility in the international market, access to a larger pool of investors, and coverage by more equity analysts. Companies that issue ADRs may also find it easier to raise money in international markets when their ADRs are listed in U.S. markets.

What Is the Difference Between an ADR and a GDR?

ADRs provide a listing to foreign shares in one market. U.S. Global Depositary Receipts (GDRs), on the other hand, give access to two or more markets (most frequently the U.S. and Euro markets) with one fungible security. GDRs are most commonly used when the issuer raises capital in the local market as well as in the international and U.S. markets. This can be done either through private placement or public offerings.

Is an ADR the Same As an American Depositary Share (ADS)?

American depositary shares (ADSs) are the actual underlying shares that the ADR represents. In other words, the ADS is the actual share available for trading, while the ADR represents the entire bundle of ADSs issued.

List of Indian ADRs



ICICI Bank ADR



Infosys ADR



Wipro ADR



HDFC Bank ADR



Tata Motors ADR



Dr. Reddy's Labs ADR



Yatra Online



MakeMyTrip



WNS Holdings



Azure Power Global



Sify



Lytus Technologies Holdings Ptv



Rediff.com India



Axis Bank ADR

Axis Bank Ltd.



Axis Bank Ltd. has been promoted by the largest and the best Financial Institution of the country, UTI. The Bank has strengths in both retail and corporate banking and is committed to adopting the best industry practices internationally in order to achieve excellence. Services offered by the bank include Personal Banking, Corporate Banking, NRI Banking, Priority Banking, VBV - Online purchases using Credit Card and VBV / MSC - Online purchases using Debit Card

➤ Technical view



- Buy Axis bank at 860 Target 910,950 Stop loss 816

Community Sentiments



- 78% BUY
- 22% SELL
- 0% HOLD

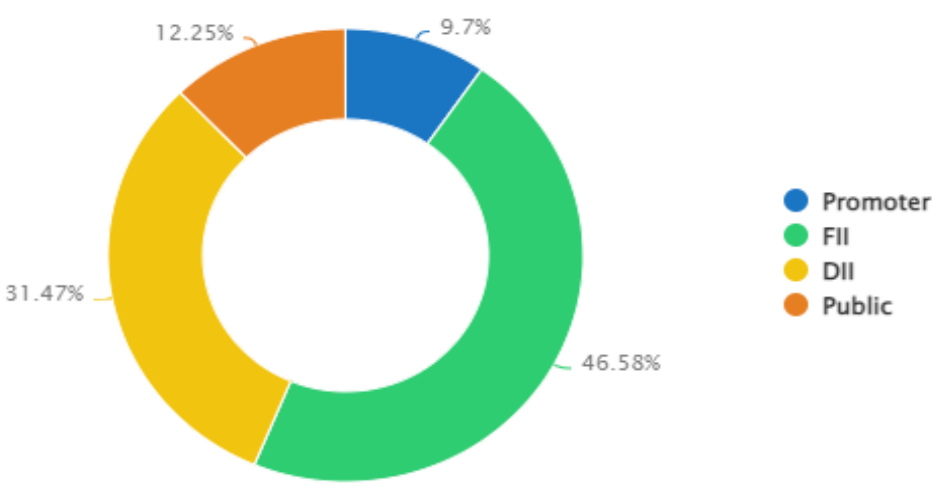
78%

of moneycontrol
users recommend
buying Axis Bank

Key Metrics		Axis Bank Share Price Returns	
PE Ratio (x)	EPS - TTM (₹)	1 Day	0.0%
14.55	59.80	1 Week	↑1.33%
MCap (₹ Cr.)	Sectoral MCap Rank	1 Month	↓-3.37%
2,67,230	5	3 Months	↑17.28%
PB Ratio (x)	Div Yield (%)	1 Year	↑26.76%
2.26	0.11	3 Years	↑18.84%
Face Value (₹)	Beta	5 Years	↑60.97%
2.00	1.10		
VWAP (₹)	52W H/L (₹) ▾		
872.23	919.95 / 618.25		

SHAREHOLDING

Summary



➤ **Ratio analysis**

ANNUAL	FY 2022	FY 2021	FY 2020
Return on Equity (%)	11.93	6.94	2.14
Return on Assets (%)	1.18	0.71	0.19
Cost to Income (%)	42.99	47.82	50.19
Interest income to Earning assets (%)	5.75	6.40	6.86
Interest Expense to Earning assets (%)	2.92	3.45	4.09
Price to Earnings (x)	16.56	29.76	57.80
Price to Book (x)	1.97	2.06	1.24
Price to Sales (x)	3.39	3.30	1.68
Operating Profit Margin (%)	-4.50	-13.75	-22.69

ICICI Bank Limited



ICICI Bank Limited is an Indian private development finance institution. It is headquartered at Mumbai. It offers a wide range of banking products and financial services for corporate and retail customers through a variety of delivery channels and specialized subsidiaries in the areas of investment banking, life, non-life insurance, venture capital and asset management.

This development finance institution has a network of 5,275 branches and 15,589 ATMs across India and has a presence in 17 countries. The bank has subsidiaries in the United Kingdom and Canada; branches in United States, Singapore, Bahrain, Hong Kong, Qatar, Oman, Dubai International Finance Centre, China and South Africa; as well as representative offices in United Arab Emirates, Bangladesh, Malaysia and Indonesia. The company's UK subsidiary has also established branches in Belgium and Germany.

➤ Technical view



- Buy ICICI bank at 915 Target 950,985 Stop loss 880

Community Sentiments



- 77% BUY
- 15% SELL
- 8% HOLD

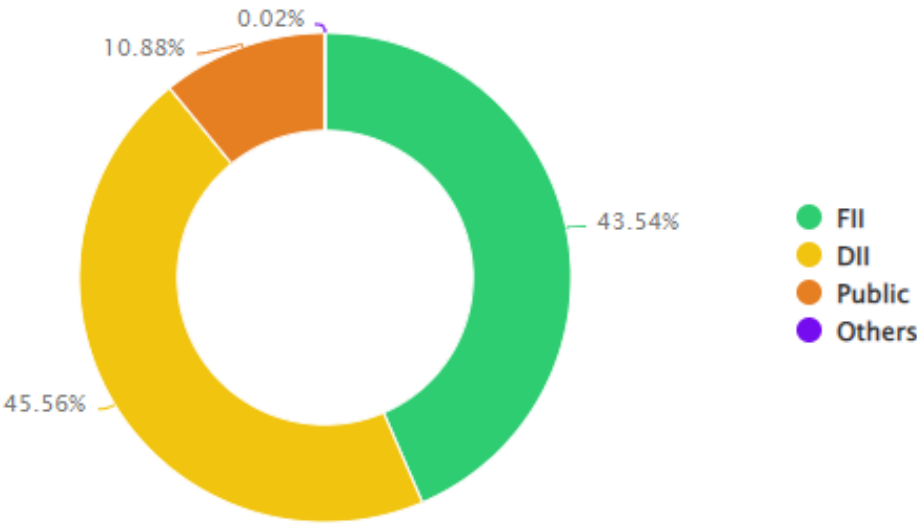
77%

of moneycontrol
users recommend
buying ICICI Bank

Key Metrics		ICICI Bank Share Price Returns	
PE Ratio (x)	EPS - TTM (₹)	1 Day	↑0.25%
21.67	42.62	1 Week	↑1.32%
MCap (₹ Cr.)	Sectoral MCap Rank	1 Month	↑1.82%
6,42,558	2	3 Months	↑8.38%
PB Ratio (x)	Div Yield (%)	1 Year	↑22.83%
3.41	0.25	3 Years	↑85.93%
Face Value (₹)	Beta	5 Years	↑189.65%
2.00	1.09		
VWAP (₹)	52W H/L (₹) ▼		
924.17	943.25 / 642.15		

SHAREHOLDING

Summary



➤ **Ratio analysis**

ANNUAL	FY 2022	FY 2021	FY 2020
Return on Equity (%)	14.04	11.90	7.98
Return on Assets (%)	1.43	1.16	0.69
Cost to Income (%)	57.50	60.99	62.68
Interest income to Earning assets (%)	5.44	5.66	6.15
Interest Expense to Earning assets (%)	2.34	2.71	3.24
Price to Earnings (x)	20.24	21.88	21.98
Price to Book (x)	2.84	2.60	1.75
Price to Sales (x)	5.32	4.51	2.48
Operating Profit Margin (%)	-38.09	-58.10	-63.32

Tata Motors

TATA MOTORS

Tata Motors Limited is an Indian multinational automotive manufacturing company, headquartered in Mumbai, India, which is part of the Tata Group. The company produces passenger cars, trucks, vans, coaches, buses.

Formerly known as Tata Engineering and Locomotive Company (TELCO), the company was founded in 1945 as a manufacturer of locomotives. The company manufactured its first commercial vehicle in 1954 in a collaboration with Daimler-Benz AG, which ended in 1969. Tata Motors entered the passenger vehicle market in 1988 with the launch of the TataMobile followed by the Tata Sierra in 1991, becoming the first Indian manufacturer to achieve the capability of developing a competitive indigenous automobile. In 1998, Tata launched the first fully indigenous Indian passenger car, the Indica, and in 2008 launched the Tata Nano, the world's most affordable car. Tata Motors acquired the South Korean truck manufacturer Daewoo Commercial Vehicles Company in 2004. Tata Motors has been the parent company of Jaguar Land Rover since the company established it for the acquisition of Jaguar Cars and Land Rover from Ford in 2008.

➤ Technical view



- Buy tata motors at 420 target 455,480 stop loss 390

Community Sentiments



- 87% BUY
- 13% SELL
- 0% HOLD

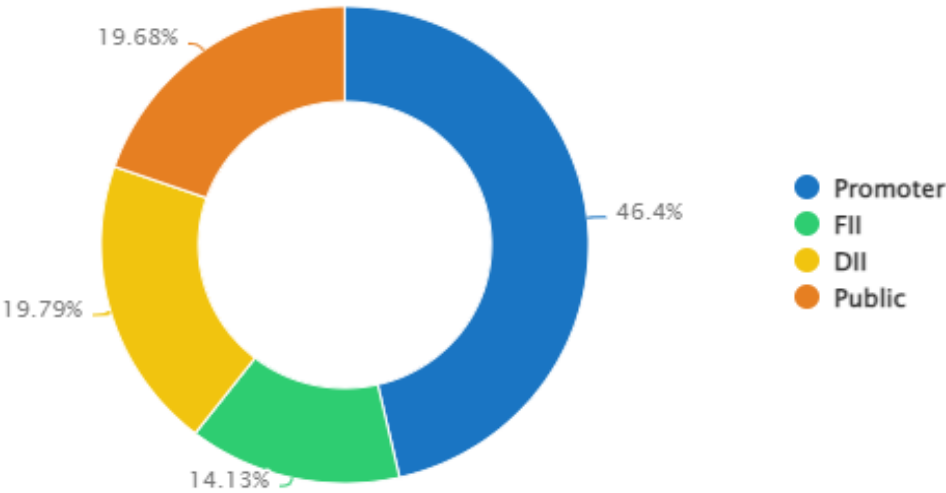
87%

of moneycontrol
users recommend
buying Tata
Motors

Key Metrics		Tata Motors Share Price Returns	
PE Ratio (x)	EPS - TTM (₹)	1 Day	↑0.55%
-16.69	-25.59	1 Week	↓-1.04%
MCap (₹ Cr.)	Sectoral MCap Rank	1 Month	↑7.29%
1,40,834	3	3 Months	↓-7.25%
PB Ratio (x)	Div Yield (%)	1 Year	↓-13.81%
2.89	0.00	3 Years	↑163.04%
Face Value (₹)	Beta	5 Years	↑0.19%
2.00	2.09		
VWAP (₹)	52W H/L (₹) ▼		
426.79	528.50 / 366.20		

SHAREHOLDING

Summary



➤ **Ratio analysis**

ANNUAL	FY 2022	FY 2021	FY 2020
Return on Equity (%)	-25.67	-24.34	-19.13
Return on Capital Employed (%)	1.63	6.14	-0.25
Return on Assets (%)	-3.46	-3.92	-3.74
Interest Coverage Ratio (x)	2.98	4.31	-0.06
Asset Turnover Ratio (x)	0.23	0.16	81.04
Price to Earnings (x)	-14.51	-8.60	-2.12
Price to Book (x)	3.73	2.09	0.41
EV/EBITDA (x)	9.70	5.30	4.40
EBITDA Margin (%)	9.97	13.98	8.02

Infosys



Infosys Limited (Infosys), formerly Infosys Technologies Limited, provides business consulting, technology, engineering and outsourcing services. Its end-to-end business solutions include consulting and systems integration comprising consulting, enterprise solutions, systems integration and advanced technologies; business information technology (IT) services consisting application development and maintenance, independent validation services, infrastructure management, engineering services comprising product engineering and life cycle solutions and business process management; products, business platforms and solutions, including Finacle, its banking product, which offers solutions to address core banking, mobile banking and e-banking needs of retail, corporate and universal banks globally, and areas, such as cloud computing, enterprise mobility and sustainability. On January 4, 2012, Infosys BPO Limited acquired Portland Group Pty Ltd. In October 2012, it acquired Lodestone Holding AG..The company also in the business segment of Financial Services, Energy & utilities, Life Sciences and Healthcare, Consumer packaged goods and Logistics.

➤ Technical view



- Buy Infosys at 1568 target 1640,1675 stop loss 1500

Community Sentiments



- 72% BUY
- 24% SELL
- 4% HOLD

72%

of moneycontrol
users recommend
buying Infosys

Key Metrics

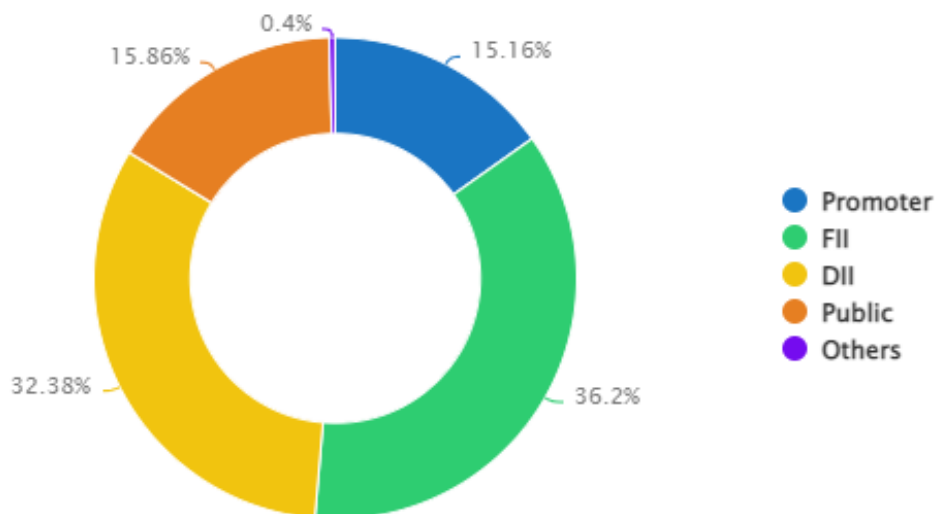
PE Ratio (x)	EPS - TTM (₹)
29.12	54.37
MCap (₹ Cr.)	Sectoral MCap Rank
6,66,162	2
PB Ratio (x)	Div Yield (%)
8.81	1.96
Face Value (₹)	Beta
5.00	0.83
VWAP (₹)	52W H/L (₹) ▼
1,585.17	1,953.90 / 1,355.00

Infosys Share Price Returns

1 Day	↓-0.12%
1 Week	↓-1.23%
1 Month	↑5.51%
3 Months	↑2.64%
1 Year	↓-8.85%
3 Years	↑128.38%
5 Years	↑219.43%

SHAREHOLDING

Summary



➤ **Ratio analysis**

ANNUAL	FY 2022	FY 2021	FY 2020
Return on Equity (%)	29.34	25.34	25.35
Return on Capital Employed (%)	35.96	31.73	30.83
Return on Assets (%)	18.75	17.85	17.88
Interest Coverage Ratio (x)	168.93	137.55	130.45
Asset Turnover Ratio (x)	1.00	92.69	97.86
Price to Earnings (x)	36.23	30.03	16.39
Price to Book (x)	10.62	7.61	4.15
EV/EBITDA (x)	23.18	18.50	10.11
EBITDA Margin (%)	27.77	29.94	27.61

Dr. Reddy's Laboratories **Ltd**



Dr. Reddy's Laboratories Limited (RDY), founded in 1984, is a leading global pharmaceutical company engaged in manufacturing and marketing a range of pharmaceutical products and services. Dr. Reddy's made its debut on the New York Stock Exchange (NYSE) in April 2001, and currently has a market capitalization of \$10.90 billion.

The company has a strong financial position; it has experienced a rise in its revenues over the years with the latest annual revenue standing at \$2.38 billion at the end of fiscal year 2015. The debt levels are reasonable with a positive trend in net income. The shares of Dr. Reddy's rose by 23% in 2013. Even in the year 2014, its shares maintained the momentum and rose another 23%; its shares are currently up by 27% year-to-date in 2015. Although, the stock movement is volatile during the uptrend, it is one of the good picks in the healthcare space.

➤ Technical view



- Buy Dr reddy at 4360 target 4610,4800 stop loss 4110

Community Sentiments



- 60% BUY
- 20% SELL
- 20% HOLD

60%

of moneycontrol
users recommend
buying Dr Reddys
Labs

Key Metrics

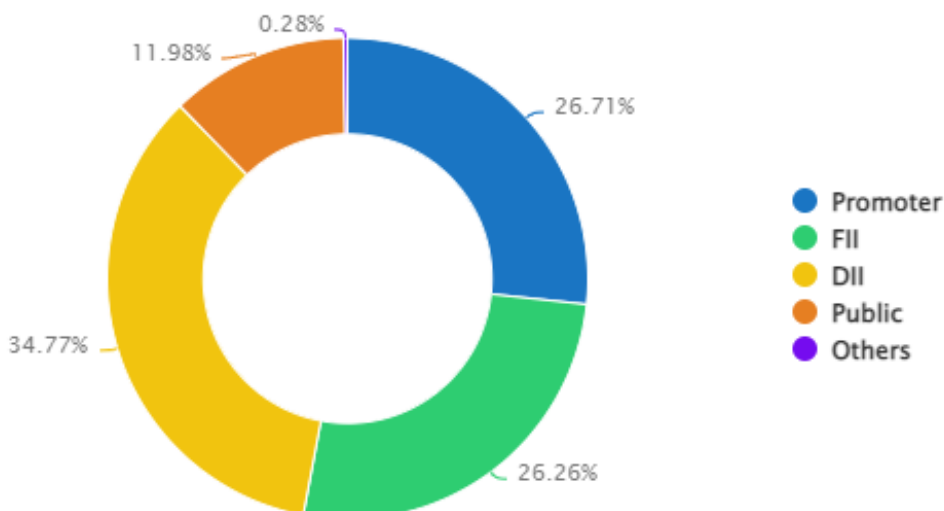
PE Ratio (x)	EPS - TTM (₹)
23.59	186.79
MCap (₹ Cr.)	Sectoral MCap Rank
73,339.36	4
PB Ratio (x)	Div Yield (%)
3.78	0.68
Face Value (₹)	Beta
5.00	0.75
VWAP (₹)	52W H/L (₹) ▾
4,401.58	4,931.05 / 3,654.00

Dr. Reddys Share Price Returns

1 Day	↑0.99%
1 Week	↓-1.68%
1 Month	↑1.73%
3 Months	↑4.27%
1 Year	↓-4.89%
3 Years	↑53.44%
5 Years	↑91.03%

SHAREHOLDING

Summary



➤ **Ratio analysis**

ANNUAL	FY 2022	FY 2021	FY 2020
Return on Equity (%)	11.35	11.06	12.98
Return on Capital Employed (%)	15.44	15.84	12.04
Return on Assets (%)	7.33	7.33	8.72
Interest Coverage Ratio (x)	44.39	42.90	19.61
Asset Turnover Ratio (x)	0.56	0.60	75.42
Price to Earnings (x)	32.89	38.61	25.58
Price to Book (x)	3.73	4.26	3.32
EV/EBITDA (x)	17.01	18.20	17.27
EBITDA Margin (%)	19.73	21.84	17.64