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DEMOCRATIZING WEALTH CREATION

JULY 15 - 28, 2024 ▪ Pages 68 ▪ www.dsij.in ₹150

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Special Feature
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Cover Story
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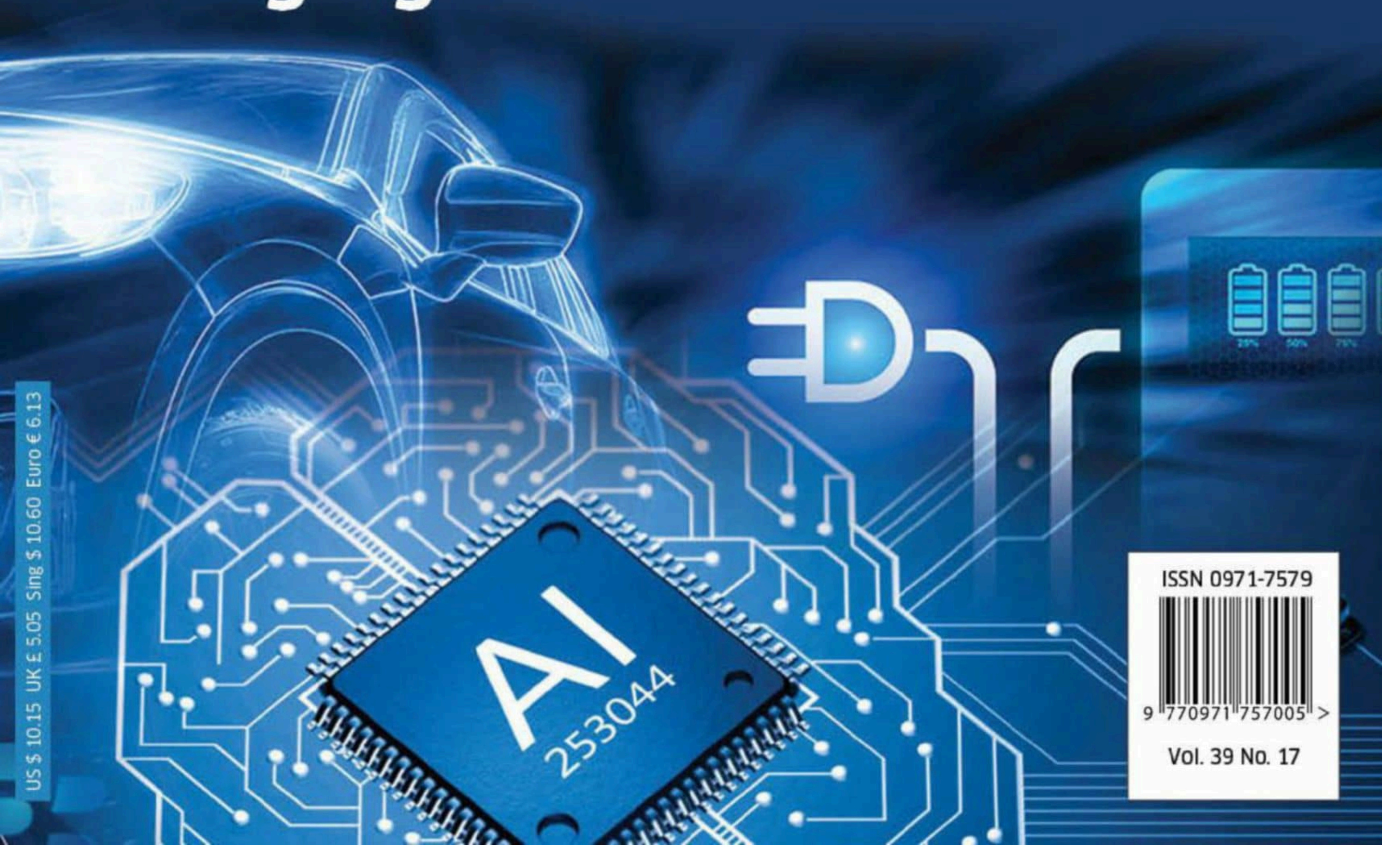

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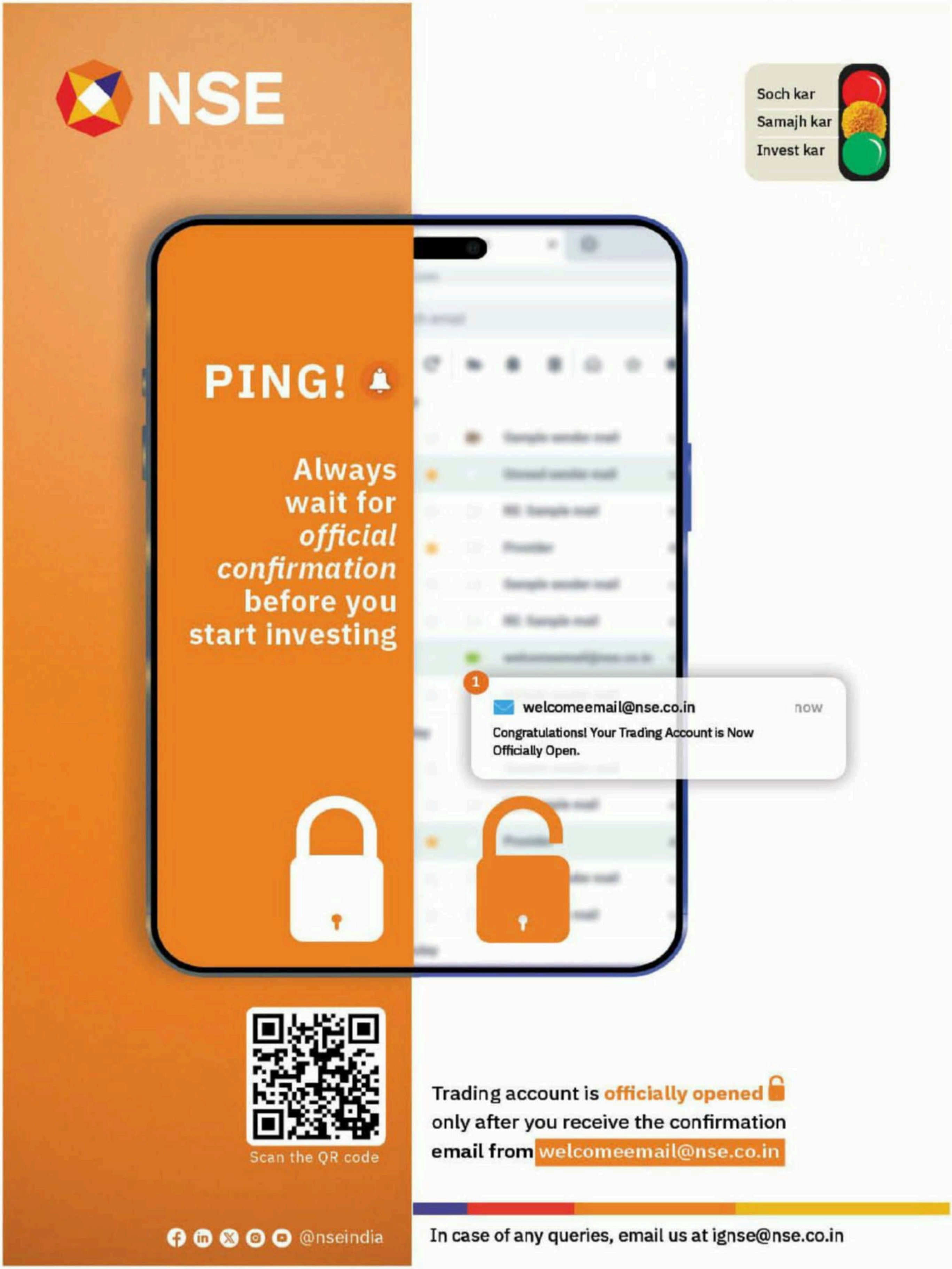
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Vol. 39 No. 17 • JULY 15 - 28, 2024

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Editor's Keyboard

Over to the Budget Now

Welcome back, esteemed readers, to another issue of navigating the overcharged equity market. Despite all the predication that the market may fall after election, it has continuously been gaining strength. In the last one month, the market capitalisation of BSE-listed equity shares has increased by a huge ₹24 lakh crore. To give you a context, the latest data from the Association of Mutual Funds in India shows that pure equity funds have assets under management of ₹27 lakh crore.

As we inch closer to the much-anticipated Union Budget, a sense of cautious optimism hangs in the air. Since the start of the last decade I have witnessed 17 such budgets, including three interim budgets. Our analysis shows that the average returns a week prior to the budget is around negative 0.45 per cent. This time around we have already seen a sharp rally in the last one month. Hence, we may see some profit-booking in the near term. On the other hand, the returns one week after the budget is announced are generally positive as the uncertainty is over.

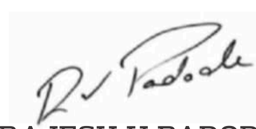
The average one-week returns post budget presentation is 1.32 per cent for Nifty. This year's budget holds unique significance, being the first full-fledged budget presented by the newly elected coalition government. Traditionally, the Union Budget has been a landmark event for the Indian equity market, often triggering a flurry of activity and price movements at sector levels if not at the index level.

Will the Union Budget 2024 be a game-changer? In my opinion, it may not be so. As has been witnessed, the government has already allotted all the important ministries that were as held during their earlier stint of governance. Hence, we believe that the government would opt to continue with its fiscal prudence. The budget is not likely to introduce any radical reforms to allay investor sentiments. This will be a positive sign for the market.

Continuity and stability are crucial for investor confidence. It appears that the budget is likely to reaffirm the government's commitment to fiscal discipline and introduce measures to bolster economic growth. This will certainly send a strong signal to the market. Additionally, election promises made by the ruling party, such as affordable housing, healthcare initiatives and renewable energy projects, should also give a boost to these sectors.

So, should you base your investment decisions solely on the budget? Absolutely not! Don't let the budget dictate your entire investment strategy. It's just one factor or rather just a piece of the bigger puzzle. The results of the first quarter of FY25 have started to unfold and they need to be watched closely so as to make appropriate changes in your portfolio. In our cover story, we have taken a close look at the trends that are taking evolving. These trends are identified based on how the economy is going to shape up going ahead.

We have identified some sectors that will play an important role in the Indian economy going ahead. There are many companies across the sectors and industries that are likely to benefit out of the ongoing economic transformation. A long-term investor can make a robust portfolio out of these sectors. In addition to our cover story, this issue includes several special reports and features designed to help you identify new trends and promising companies. As always, remember, successful investing is a marathon, not a sprint. Stay calm, be informed and remain tuned to the developments taking place around the world.



RAJESH V PADODE
Managing Director & Editor

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Post-IPO Surge: Is It Wise to Invest After Missing Out?

I found the cover story on post-IPO performance very intriguing and informative. If I wasn't allotted shares in the IPO but the company has strong fundamentals and the stock price has surged significantly post-listing, would it still be wise to consider investing later? - Ketaki Mane

Editor Responds: *We appreciate your kind words of encouragement. The performance of both mainboard and SME IPOs has been exceptional, with heightened investor interest in the primary market. The BSE IPO Index has surged over 60 per cent in the past year, significantly outperforming benchmark indices. This impressive performance might encourage investors to enter the market to capitalise on current opportunities, even with stock prices on the rise. However, it is essential to carefully consider valuations before investing. If a currently listed company demonstrates consistent strong financial performance and maintains a positive outlook regarding future projects and sectoral growth drivers, investing later, even if you didn't receive an allotment, can still be a prudent decision. However, it is crucial to compare the stock's valuation with its listed peers and industry averages to assess its future potential. Additionally, the post-IPO first earnings reports are vital for gaining insights into the company's future direction.*

Recommendations

Company/Scheme	Reco.	Price (₹)	Column	Page No
Caplin Point Laboratories	Buy	1,510.25	Hot Chips	14
Hi-Tech Pipes	Buy	129.15	Hot Chips	14
Himadri Speciality Chemical	Buy	425.50	Technicals	17
Interglobe Aviation	Buy	4,302.65	Kerbside	51
Lancer Container Lines	Avoid	51.17	QueryBoard	47
Mazagon Dock Shipbuilders	Buy	4,686.25	QueryBoard	49
NBCC (India)	Buy	169.00	QueryBoard	48
ONGC	Buy	297.45	Technicals	17
REC	Buy	612.15	Choice Scrip	10
S & S Power Switchgear	Sell	266.20	QueryBoard	49
Servotech Power System	Buy	97.99	Kerbside	51
Tata Power Company	Hold	439.80	Reviews	50
Tata Steel	Buy	171.80	Kerbside	51
Texmaco Rail And Engineering	Buy	272.45	Analysis	18
Titagarh Rail Systems	Hold	1,780.30	QueryBoard	47
TPL Plastech	Buy	94.74	Low Priced Scrip	12
Vishal Fabrics	Buy	25.00	Kerbside	51
Welspun Corp	Hold	615.90	Reviews	50
Zomato	Hold	208.30	QueryBoard	48

BP - Book Profit • **BPP** - Book Partial Profits • **BL** - Book Loss

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Market Watch

Optimism Makes A Mark

The Indian benchmarks reached new record highs, with BSE Sensex soaring past the 80,000 mark and achieving its quickest-ever 10,000-point rally

The Indian benchmark indices sustained their robust uptrend, consistently hitting new all-time highs over the past fortnight. BSE Sensex soared past the 80,000 mark, achieving its quickest-ever 10,000-point rally in just 138 trading sessions, while Nifty 50 breached the 24,300 level. Reliance Industries Ltd. emerged as a significant catalyst in the recent fortnight rally, with its shares—a key component of Indian benchmarks—surging over 9 per cent. The company's market capitalisation surpassed the milestone of ₹21 lakh crore, setting a new record high.

This was following Jio's announcement of increased pricing for its prepaid and post-paid plans. BSE Sensex and Nifty 50 recorded gains of 3.6 per cent and 3.5 per cent, respectively, while the broader indices showed a mixed performance. The BSE Mid-Cap index, breaking its trend of outperforming, added 3.2 per cent, whereas the BSE Small-Cap index outpaced the main indices with a gain of 4.27 per cent. Investors' optimistic sentiment was evident across the sectoral front, with all the sectoral indices, except for real estate, reporting notable gains.

Real estate stocks saw some profit-taking, with the BSE Realty index having surged around 18 per cent in just 10 trading sessions after the Lok Sabha election results day's slump, reflecting strong gains. Strong financial performance, reduced inventory levels and successive price hikes have collectively driven the surge in demand for real estate stocks. Banks, metals and automobile stocks, which led the gains during the earlier period, experienced a brief pause in their rally.

In contrast, IT stocks attracted investors, with the BSE Information Technology index emerging as the best performer for the fortnight, gaining over 6 per cent. There has been a noticeable shift in stance for IT stocks following the election results, marking a comeback after a prolonged period of underperformance. Federal Reserve Chair Jerome Powell's suggestion of 'considerable progress' towards overcoming severe inflation, coupled with ongoing optimism amid signs of a slowing job market, indicates that rate cuts may be on the horizon.

Over the past two weeks, both foreign institutional investors (FIIs) and domestic institutional investors (DIIs) have consistently been net buyers. FIIs recorded a significant net inflow of ₹11,497 crore, while DIIs further strengthened the market with a considerable net inflow of ₹6,800 crore during the same period. With the Union Budget scheduled for July 23, experts are anticipating significant announcements in key government focus areas such as affordable housing, renewable energy, infrastructure, semiconductors, electric vehicles, railways, defence and artificial intelligence. It will be interesting to see how the market responds to these developments. Stay tuned!

Performance Of Indices

Indices	June 24, 2024	July 05, 2024	Gain/Loss (%)
IT	36,172.71	38,483.33	6.39
Oil & Gas	28,863.30	30,152.29	4.47
Small-Cap	51,936.53	54,153.96	4.27
Healthcare	36,773.21	38,246.54	4.01
Sensex	77,209.90	79,996.60	3.6
Power	7,815.70	8,095.23	3.58
Nifty	23,501.10	24,323.85	3.5
Mid-Cap	45,967.07	47,437.85	3.2
FMCG	20,325.88	20,926.78	2.96
Bankex	58,696.60	60,332.23	2.79
Auto	56,742.38	57,826.16	1.91
Metal	33,736.40	33,739.36	0.01
Realty	8,843.43	8,740.66	-1.16

Net Investment In Equity Markets (₹/Cr)

Date	FIIs	DIIs
5 Jul 24	1,241.33	-1,651.36
4 Jul 24	2,575.85	-2,375.18
3 Jul 24	5,483.63	-924.43
2 Jul 24	-2,000.12	648.25
1 Jul 24	-426.03	3,917.43
28 Jun 24	-23.09	6,658.31
27 Jun 24	7,658.77	-3,605.93
26 Jun 24	-3,535.43	5,103.67
25 Jun 24	1,175.91	-149.45
24 Jun 24	-653.97	-820.47
Total	**11,496.85**	**6,800.84**


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REC

PLACED IN A POWERFUL POSITION

HERE IS WHY

- Increasing demand for power
- Maintaining consistent profit margins
- Sanctioned projects worth USD 5 billion

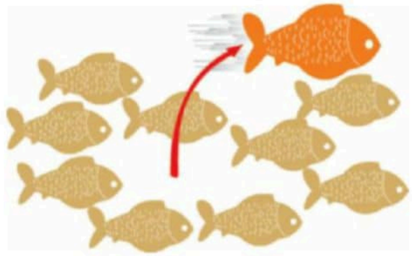
India's power sector is undergoing a transformative shift, aiming to replace half of its installed capacity with non-fossil fuel sources by 2030, promoting sustainable integration into the national smart grid. Due to intermittent renewable energy resources and a lack of natural gas, the government will rely on coal-based power for base load capacity, with additional coal capacity only in brown-field projects. The government plans to bring 94 GW of coal capacity online by 2032, with approvals expected within the next 2-3 years.

With power demand rising by 8 per cent last year and 11 per cent in April, our recommended scrip for investment is REC Ltd. Established in 1969, REC is a Navratna company under the Ministry of Power, funded by market borrowings and foreign borrowings. Under the leadership of experienced professionals, the company has maintained consistent profit margins and paid dividends since 1998. The company has been appointed as a nodal agency by the Government of India for the implementation of Saubhagya and DDUGJY schemes.

It is also responsible for rolling out UDAY to reform and financially turn around power distribution companies. REC offers financial services to entities across the power sector value chain, assisting in setting up power infrastructure, operational efficiency, and implementing innovative technology solutions. In Q4FY24, on a consolidated basis, its revenue increased by 24.89 per cent YoY to ₹12,619.72 crore compared to ₹10,104.49 crore from the previous year's same quarter. On a sequential basis, its revenue increased by 5.27 per cent. The PBIDT excluding other income increased by 26.07 per cent to ₹13,101.73 crore YoY as compared to ₹10,392.16 crore from the previous year's same quarter, while sequentially increasing by 10.92 per cent. Its net profit stood at ₹4,079.09 crore compared to ₹3,065.37 crore, a YoY increase of 33.07 per cent, sequentially increasing by 23.29 per cent from ₹3,308.42 crore. The company aims to increase its renewable energy portfolio to 30 per cent by 2030, with a target of 10-fold growth to USD 40 billion.

The company has sanctioned projects worth USD 5 billion in FY23-24, with a total asset under management of USD 6 billion. The government has initiated diversification into non-power infrastructure logistics, identifying a need for additional coal-based capacity by 2032. The company is planning to raise green bonds to cater to green projects only. The government is committed to making enabling provisions for infrastructure development, and the cost of funds has decreased from 7.28 per cent to 7.13 per cent. The company is also aiming to reach ₹10 lakh crore loan book by FY30 and expects growth in conventional generation, distribution and transmission sectors.

Currently, the shares of REC are trading at a PE of 11.5 times whereas the industry PE stands at 30 times. If we look at its PBV it is currently at 2.33 times, which is higher than the industry PBV of 2.28 times. The company has a return on assets (ROA) value of of 2.79 per cent. If we look at the company's last three-year profit and sales CAGR, it stands at 19 per cent and 10 per cent, respectively. The company has a three-year average return on equity of 21.3 per cent and a return on capital employed (ROCE) of 9.43 per cent. Considering the aforementioned factors, we recommend **BUY.**



CHOICE SCRIP

1 YEAR INVESTMENT HORIZON

Best of LAST ONE Year

Name of Company	Reco Price (₹)	Exit/CMP Price (₹)	Absolute Gains (%)	Annual Returns (%)
Gujarat Mineral.	288.95	404.35	39.94	662.64
The Anup Engg.	1,301.15	1,862.80	43.17	315.14
Banco Products	274.50	401.25	46.17	244.23
TCPL Packaging	1,540.00	2,233.00	45.00	213.31
Marathon Nextgen	326.70	463.55	41.89	196.02

Monthly Stock Market Returns

Shareholding Pattern (%) as of March, 2024

Promoters	52.63
Institutions	35.41
Public	11.95
Total	100.00

Last Five Quarters (₹/Cr) (Consolidated)

Particulars	Mar-24	Dec-23	Sept-23	June-23	Mar-23
Total Income	12,706.66	12,071.54	11,701.26	11,091.77	10,254.63
Other Income	29.48	19.77	13.02	4.21	11.57
Operating Profit	13,131.21	11,831.28	12,193.52	10,775.66	10,403.73
Interest	7,895.71	7,653.59	7,349.77	7,048.67	6,496.22
Net Profit	4,079.09	3,308.42	3,789.90	2,968.05	3,065.37
Equity	2,633.22	2,633.22	2,633.22	2,633.22	2,633.22

TPL PLASTECH

POISED FOR EXCITING GROWTH

HERE IS WHY

Expertise in manufacturing drum containers

Robust distribution network

Recent expansion boosts production capacity

The Indian plastic industry, a key sector in the country's economy, has been growing rapidly since 1957, with over 2,500 exporters and over 4 million employees. The government plans to increase the plastic industry's economic activity from ₹3 lakh crore (USD 37.8 billion) to ₹10 lakh crore (USD 126 billion) in 4-5 years. The jerry cans market is growing due to sustainability concerns and increased demand for odourless, leak-proof and moisture-resistant cans. The 20-litre category is expected to dominate, with the HDPE segment holding a 79.56 per cent market share.

Best of LAST ONE Year

Name of Company	Reco Price (₹)	Exit/CMP Price (₹)	Absolute Gains (%)	Annual Returns (%)
Paramount Comm.	65.70	92.16	40.27	639.07
Trans. & Rectifiers.	103.71	155.45	49.89	551.81
Engineers India	147.05	216.65	47.33	303.08
Menon Bearings	102.96	145.80	41.61	216.97
Man Infra	144.10	200.90	39.42	199.84

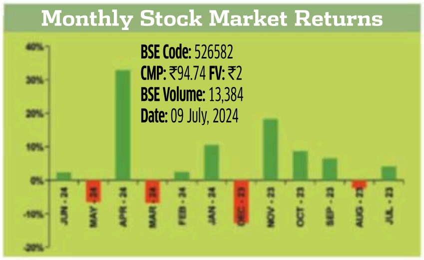
The 20-litre category is most popular in chemical, petrochemical and food and beverage industries. Owing to this, our low-price scrip recommendation for this issue is TPL Plastech Ltd. (TPL). TPL was incorporated in 1992 as Tainwala Polycontainers Ltd. In July 2006, the original promoters exited the business and Time Technoplast (TTL, parent company of TPL) acquired a 75 per cent stake and renamed the company. TPL manufactures HDPE drum containers with a container capacity of 20-250 litres, primarily used in bulk packaging of speciality chemicals, paints and inks, pharmaceutical products and fast-moving consumer goods. It has manufacturing facilities in Silvassa, Pantnagar, Ratlam, Visakhapatnam and Bhuj, with a total capacity of 24,200 TPA. TPL also manufactures small packaging products with a container capacity of 10-30 litres. TPL Plastech is poised for exciting growth because of its multi-pronged approach. Its strategically located manufacturing facilities across India create a robust distribution network, ensuring that it can efficiently cater to diverse regional demands. Additionally, TPL leverages the extensive expertise and management overview of its parent company, TTL.

This translates to streamlined operations, faster decision-making and access to TTL's dominant market position within the rigid industrial packaging segment. Furthermore, the recent expansion of its Dahej plant has significantly boosted production capacity, particularly for high-demand products like intermediate bulk containers (IBCs). This strategic move, coupled with sustained revenue growth and consistent profitability, has strengthened its financial standing and will fuel its growth potential. In Q4FY24, on a standalone basis, the revenue of the company increased by 14.76 per cent YoY to ₹82.73 crore compared to ₹72.09 crore from the previous year's same quarter.

On a sequential basis, the revenue remained flat. Its net profit stood at ₹6.07 crore compared to ₹3.81 crore, a YoY increase of 59.14 per cent, while sequentially increasing by 3.23 per cent from ₹5.88 crore. Currently, the shares of TPL Plastech are trading at a PE of 37.3 times, which is higher than its three-year median PE of 20.4 times whereas the industry PE stands at 28.4 times.

The higher PE of the company's share is justified by higher profit growth achieved during the last three years and even on a trailing 12-month basis. It grew in excess of 30 per cent in both the periods. The company has a strong balance-sheet with a debt-to-equity ratio of 0.23 times. It has reduced its debt in FY24. If we look at the company's last three-year profit and sales CAGR, it stands at 35 per cent and 22 per cent, respectively. The company has a three-year average return on equity of 14.7 per cent and a return on capital employed (ROCE) of 18.3 per cent. Considering the aforementioned factors, we recommend **BUY.**

Monthly Stock Market Returns



Shareholding Pattern (%) as of March, 2024

Promoters	74.86
Institutions	0.09
Public	25.04
Total	99.99

Last Five Quarters (₹/Cr) (Consolidated)

Particulars	Mar-24	Dec-23	Sept-23	June-23	Mar-23
Net Sales	82.73	82.66	78.42	69.10	72.09
Other Income	0.47	0.00	0.01	0.02	0.02
Operating Profit	10.23	9.93	8.74	7.64	7.69
Interest	1.32	1.41	1.45	1.26	1.23
Net Profit	6.07	5.88	4.26	3.65	3.81
Equity	15.60	15.60	15.60	15.60	15.60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BSE CODE	Volume	Face Value	Target	Stoploss
543411	54,176	₹1	₹141 - ₹144	₹120 (CLS)

Hi-Tech Pipes ranks among the top five pipe manufacturers in India. It specialises in producing steel tubes and pipes for a diverse range of industries, including infrastructure, telecommunications, defence, railroads, airports, real estate, and automobiles. The company boasts a robust direct marketing presence across over 20 states, supported by a network of more than 450 dealers and distributors throughout India. The company's yearly financial performance showcased impressive growth, with an 18.64 per cent growth in revenue, rising from ₹1,860.55 crore in FY23 to ₹2,207.42 crore in FY24. Net profit also saw a significant uptick, growing by 17.29 per cent to ₹33.90 crore, up from ₹28.90 crore the previous year. Rural growth is primarily driven by agriculture. Therefore, agricultural solutions, including pumps and pipes, are expected to be a key focus area in the upcoming government budget. Given the sector's potential and the promising growth prospects of the company, we recommend **BUY**.

Scrip's Movement

Last Seven Days' Volume Table (No. of Shares)

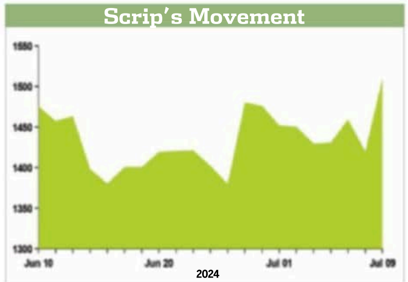
Days	Volume
2. Jul. 2024	55,088
3. Jul. 2024	15,413
4. Jul. 2024	3,24,089
5. Jul. 2024	1,53,852
8. Jul. 2024	70,268
9. Jul. 2024	54,176

Caplin Point Laboratories Ltd

CMP - ₹1,510.25

BSE CODE	Volume	Face Value	Target	Stoploss
524742	28,153	₹2	₹1,662 - ₹1,670	₹1,405 (CLS)

Scrip's Movement



Last Seven Days' Volume Table (No. of Shares)

Days	Volume
2. Jul. 2024	9,490
3. Jul. 2024	15,365
4. Jul. 2024	9,935
5. Jul. 2024	6,657
8. Jul. 2024	34,506
9. Jul. 2024	28,153

The company is a leading player in India's pharmaceutical industry, specialising in R&D and the manufacture of finished formulations, APIs, and clinical research. With over 4,000 product registrations worldwide, Caplin Point Laboratories offers more than 650 pharmaceutical formulations spanning over 36 therapeutic segments. The company's annual financial performance demonstrated remarkable growth, with revenue surging by 18.25 per cent from ₹528.61 crore in FY23 to ₹625.09 crore in FY24.Additionally, net profit experienced a substantial rise, climbing 21.11 per cent to ₹283.71 crore, compared to ₹234.26 crore the previous year. With a debt-free status and a robust balance sheet, the company is well-positioned to maintain stable earnings growth across various business cycles. Recently, there has been significant buying interest in the stock. With shares having delivered over 90 per cent returns in the past year, there is a potential upside of 7 per cent to reach its 52-week high of ₹1,617 per share on the BSE. Therefore, we recommend **BUY**.

(Closing price as of July 09, 2024)

The scrips in this column have been recommended with a 15-day investment horizon in mind and carry high risk. Therefore, investors are advised to take into account their risk appetite before investing, as fundamentals may or may not back the recommendations.

NIFTY Index Chart Analysis

NIFTY TO WAVER IN THE COMING DAYS

Roadmap for the Next 15 Days			
Ideas	**Nifty Levels**	**Action to be Initiated**	**Probable Targets**
Resistance for the medium-term	24,500 — 24,600	Close above the level of 24,500—24,600 would be positive for Nifty	25,000 — 25,340
Support for the medium-term	23,725	Any slip below 23,725 on a closing basis would result into resumption of down move.	23,200 — 23,000

Benchmark index Nifty continued its positive momentum last week and closed at another new lifetime high. As forecasted in June last year, the current rally is a result of an 86-week Stage 1 consolidation. In the previous 55 weeks, Nifty rallied by 5,869 points or 31.67 per cent. The index is moving in a systematic bullish trend. After breaking out of the 73-week ascending triangle in 2014, the index rallied 100 per cent by January 2020. This is a historically repeated behavioural trait. It rallied by 100 per cent when it declined more than 25 per cent for many times.

Post the 2020 decline of 38 per cent, the index rallied by 147 per cent in 19 months. Later, it declined by over 18 per cent and consolidated for 86 weeks. This long consolidation broke out in June last year. Since then, the index has continued its rally for the previous 55 months. This rally of over 31 per cent has two bases, which can be considered as Stage 2 bases. As stated earlier, the Stage 1 consolidation target is 26,256 by the first quarter of 2026. Before that, Nifty could form another base of around 25,056, which is 89 per cent of the Fibonacci extension level of the prior trend.

An interesting fact is that the monthly volumes were higher in the current month after March 2022. For the last seven months, volumes have been above average, which indicates accumulation or a participation phase. On a lower timeframe, Nifty moved higher in a wavering and indecisive manner. But if we remove the election result day movement, it did not form a lower low on a weekly chart. In a nutshell, the equity market is in a super cycle bull phase. The targets are much higher if we have a little longer-term view.

However, the index may have more confusing moves over a shorter period. In the last six days, there have been only two white candles. Before this, the index rallied sharply with four strong bullish candles, resulting from a tight range. It is now 5.58 per cent above the 50 DMA and 2.52 per cent above the 20 DMA. The Bollinger band has begun to contract. This is an indication that the market may enter into consolidation or a mean reversion. The MACD line is far away from the zero line, which is an indication of the stretched market condition.

On the daily chart, it has begun its downtrend. On the monthly chart, the RSI is at its highest level after November 2014, just before the new high, which is a sign of overbought condition on the longer-term chart. The weekly RSI is at 74.67 and the daily RSI is above 73.13. In all timeframes, the RSI is in an overbought zone. On the monthly chart, Nifty has formed a rising wedge pattern, which has a bearish implication. The resistance is around the 24,500 level. Before moving to further highs, the index must correct to the mean levels.

The 20 DMA is at 23,725 and the prior breakout is also at a similar level, which may act as strong support. Before the Union Budget, do not expect the index to move beyond 24,500-24,600 on the upside and 23,725 on the downside. As long as the index protects its prior day low on a closing basis, the scenario cannot be bearish. Only below the prior day will we get a weaker signal. Even though there are no weaker or bearish signs, it is better to adopt a cautious approach to the market as the indicators suggest overbought and overstretched conditions. Stay with defensive stocks, which have higher relative strength. Pharmaceuticals, IT and oil and gas stocks may may outperform the next month as they have improved their momentum and relative strength.

STOCK RECOMMENDATIONS

HIMADRI SPECIALITY CHEMICAL .... BUY .... CMP ₹425.50

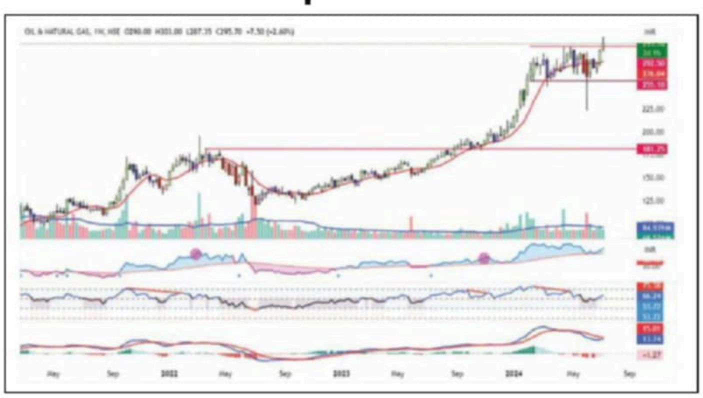
BSE Code : 500184 | Target 1 .... ₹485 | Target 2 ..... ₹525 | Stoploss....₹390 (CLS)

The company is a global speciality chemical conglomerate. It is a pioneer in India's lithium-ion battery anode material and is engaged in developing and innovating raw materials for the lithium-ion battery value chain. Its diverse product portfolio includes speciality carbon black, coal tar pitch, refined naphthalene, new energy materials, sulphonated naphthalene formaldehyde, speciality oils, power, etc., catering to various industries such as lithium-ion batteries, paints, plastics, tyres, aluminium, graphite electrodes, agrochemicals, and defence and construction chemicals.

The estimated capital expenditure for this expansion is ₹220 crore. The plant is expected to be operational within 18 months. Technically, the stock has broken out of a 23-week consolidation and is trading within the buy zone. It is forming a strong bullish bar after testing the breakout level and trading at a new lifetime high. The price pattern also looks like a cup. Its relative strength line is near a new high. The stock is above all the key long-term and short-term moving averages. It is 28.44 per cent above the 40-week average and 14.88 per cent above the 10-week average. The weekly MACD has been in a bullish momentum for the last three weeks. The weekly RSI is in a strong bullish zone. The Elder impulse system has formed a series of bullish bars. As the stock is in uncharted territory, it has cleared all resistance, including Anchored VWAP. The KST is about to give a bullish signal. In short, the stock has registered a bullish breakout. Buy this stock in the zone of ₹410-430. Maintain a stop loss at ₹390.

ONGC LIMITED .... BUY .... CMP ₹297.45

BSE Code : 500312 | Target 1 ..... ₹380 | Target 2 .... ₹400 | Stoploss....₹265 (CLS)



A Maharatna company, ONGC is the largest crude oil and natural gas producer in India, contributing around 71 per cent to Indian domestic production. Crude oil is the raw material used by downstream companies like IOC, BPCL, HPCL and MRPL (the last two are subsidiaries of ONGC) to produce petroleum products like petrol, diesel, kerosene, naphtha and cooking gas LPG. ONGC has the unique distinction of in-house service capabilities in all the areas of exploration and production of oil and gas and related oil-field services.

Technically, the stock has broken out of a 10-week consolidation. It has recorded the highest volume and above-average volume. It is trading at a new high and has erased all the resistance. It is above the long-term and short-term moving averages and is 21.12 per cent above the 40-week average and 7.41 per cent above the 10-week average.

Its relative strength is fair at 69. The stock has an EPS rank of 86, which is a good score, indicating consistency in earnings. The weekly MACD is about to give a bullish signal. The RSI has shifted its range into a strong bullish zone. The Stochastic RSI has given a fresh, bullish signal. In short, the stock has registered a strong bullish breakout and is trading at a new high. Buy this stock in the range of ₹292-305. Maintain stop loss at ₹265. The medium-term target is at ₹380 followed by ₹400

*LEGEND: ■ EMA - Exponential Moving Average. ■ MACD - Moving Average Convergence Divergence ■ RMI - Relative Momentum Index
■ ROC - Rate of Change ■ RSI - Relative Strength Index

(Closing price as of July 09, 2024)

Texmaco Rail And Engineering

ON THE RIGHT TRACK

With an ambitious expansion plan in the pipeline as announced by Indian Railways, Texmaco Rail and Engineering Limited is in a strong position to capitalise on new orders and contribute to the government's aspirations for rapid growth

Railway stocks have been on a strong upward trajectory in recent months, with several companies delivering impressive returns.

Company Name	Stock Returns (%)	
	1 Year	1 Month
Rail Vikas Nigam Ltd	295.69	38.99
Titagarh Rail Systems Ltd	257.50	63.28
Ircon International Ltd	267.90	29.17
Railtel Corporation of India Ltd	299.81	46.10
Texmaco Rail & Engineering Ltd	124.12	33.75

These stocks are gaining momentum due to robust order book visibility, the government's focus on improving rail infrastructure, and the anticipation of fresh investments in railway infrastructure development.

Government Initiatives

The Indian government has unveiled a comprehensive strategy to transform the country's railway sector through massive investments, capacity expansion and technological upgrades. The key initiatives include:

1. Plans to invest over ₹10-12 lakh crore (USD 1.2 trillion) in the railway network over the next five years for projects like high-speed rail, dedicated freight corridors and station redevelopment.
2. Accelerated electrification with 94 per cent of the broad-gauge network now electrified and a target for 100 per cent electrification.
3. Significant focus on passenger safety through measures like the Kavach automatic train protection system and replacement of old tracks.
4. Passenger-friendly initiatives such as a super app, insurance schemes and affordable fares on new Vande Bharat trains.
5. Modernisation of over 1,300 railway stations through public-private partnerships to provide world-class amenities.

The Indian government's massive investments, policy support and focus on railway electrification and capacity expansion are driving strong growth and stock performance for railway companies. One of the companies we are focusing on in this article is Texmaco Rail and Engineering Ltd.

About the Company

Texmaco Rail and Engineering Ltd. (Texmaco) is a prominent player in the manufacturing of rolling stock, which includes wagons, coaches, electric multiple units (EMUs), locomotive shells and parts. Additionally, the company is involved in the production of hydro-mechanical equipment, steel castings and infrastructure projects such as rail EPC, bridges and other steel structures. For over eight decades, Texmaco has established itself as a reliable manufacturer of freight cars, serving a range of core industries like cement, steel, defence, fertiliser, oil, alumina, thermal power projects and chemical plants. Notably, Texmaco is the only Indian company certified by the Association of American Railroads (AAR).

Manufacturing Facilities

Texmaco Rail and Engineering Ltd. operates six manufacturing facilities. Five of these facilities are located in Kolkata, West Bengal, specifically in Agarpara, Belgharia, Sodepur and Panihati. The sixth facility is situated in Raipur, Chhattisgarh. The company boasts extensive land holdings for its operations, with 114 acres in Belgharia and Agarpara, 42 acres in Panihati and Sodepur and 30 acres in Raipur.

Financial Performance

For the fiscal year 2024 (FY24), Texmaco's consolidated revenue from operations increased significantly by 56.15 per cent, reaching ₹3,502.87 crore as compared to ₹2,224.96 crore in the previous fiscal year i.e. FY23. The company's net profit saw an impressive rise, soaring to ₹113.21 crore in FY24 from ₹26.03 crore in FY23. Reflecting its strong financial performance, the board has recommended a dividend of ₹0.50 per share for FY24.

Q4FY24 Quarterly Performance

In the fourth quarter of FY24 (Q4FY24), Texmaco reported a revenue increase of 37.03 per cent, with revenue from operations amounting to ₹1,144.56 crore, up from ₹835.27 crore in the same quarter the previous year (Q4FY23). The net profit for Q4FY24 surged 247 per cent to ₹45.32 crore, compared to ₹18.33 crore in Q4FY23. Profit before tax for Q4FY24 also saw a significant rise, escalating to ₹66.71 crore from ₹22.96 crore in Q4FY23.

Revenue Mix

In FY24, Texmaco's revenue was predominantly driven by its freight car division, which contributed a substantial 77 per cent to the total revenue. The company's diversification strategy is evident in its revenue mix, with the infrastructure-rail and green energy segment accounting for 15 per cent, and the infrastructure-electrical segment contributing 6 per cent. The other income constituted the remaining 2 per cent of the total revenue.

Order Book

As of the latest update, Texmaco's order book size totals ₹7,900 crore. The largest segment within this order book is freight cars, which make up 63 per cent of the total orders. The infrastructure-electrical segment accounts for 14 per cent while the infrastructure-rail and green energy segment represents 10 per cent. The 'others' and steel foundry segments each contribute 6 per cent to the order book, and the components segment makes up less than 1 per cent of the total.

In December 2023, Texmaco secured a significant order worth ₹1,374.41 crore from the Ministry of Railways for the manufacture and supply of 3,400 wagons. This order is slated for execution in three tranches with a completion target set for December 2025. The substantial order received by the company not only enhances the company's revenue visibility but also solidifies its position as a key supplier to the Indian Railways.

Acquisition

On June 4, 2024, Texmaco Rail and Engineering acquired a majority stake of 51 per cent in Saira Asia Interiors (P) Limited. This acquisition is expected to generate revenue in the range of ₹500-600 crore for the company, further strengthening its market position and financial performance. The acquisition aligns with Texmaco's strategy to diversify its product offerings and expand its footprint in the interior segment of the rail industry.

Texmaco Rail and Engineering operates six manufacturing facilities. Five of these facilities are located in Kolkata, West Bengal, specifically in Agarpara, Belgharia, Sodepur and Panihati. The sixth facility is situated in Raipur, Chhattisgarh. The company boasts extensive land holdings for its operations, with 114 acres in Belgharia and Agarpara, 42 acres in Panihati and Sodepur and 30 acres in Raipur.

Management Guidance

The management has provided optimistic guidance for the future. The foundry business is anticipated to grow by 20-25 per cent. The company plans to undertake capital expenditures amounting to ₹80 crore for FY25. Furthermore, Texmaco aims to increase its wagon production significantly, from 7,020 wagons in FY24 to 11,500 wagons in FY25, marking a projected increase of 63.81 per cent. The management has also aimed to become debt-free in the next three years.

Growth Triggers

Several factors are expected to drive Texmaco's growth in the coming years. The modal share of the Indian Railway in freight is projected to rise from 26 per cent to 45 per cent by 2030. Additionally, the target for freight volumes is set to increase from 1.5 billion tonnes in FY23 to 3.6 billion tonnes by FY31E. Another crucial factor is debt reduction, which is anticipated to enhance the company's profit margins. The management aims for Texmaco to become debt-free within the next three years.

Shareholding Pattern

Promoters hold 48.14 per cent of the company, while foreign institutional investors (FIIs) own 11.04 per cent. Domestic institutional investors (DIIs) hold 8.27 per cent, and the remaining 32.53 per cent is held by public investors.

Valuation

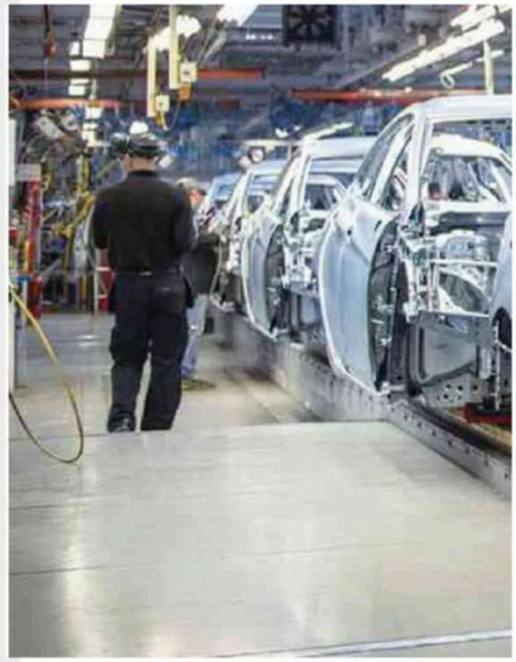
Texmaco's stock is currently trading at a price-to-earnings (PE) multiple of 95 times, with a price-to-earnings growth (PEG) ratio of 10 times. The price-to-sales (PS) ratio stands at 2.5 times, and the price-to-book (PB) ratio is 4.07 times. Additionally, the enterprise value to earnings before interest, taxes, depreciation and amortization (EV | EBITDA) ratio is 30.2 times. The company's return on equity (ROE) is 5.88 per cent, and its return on capital employed (ROCE) is 11.4 per cent. Considering all these valuation metrics, it appears that the stock is trading at higher valuations.

Conclusion

Despite Texmaco trading at a higher PE valuation, the company's strong growth prospects make it an attractive investment. The anticipated growth of the Indian Railway sector, coupled with the government's focus on reducing logistics costs, is expected to benefit Texmaco significantly. Additionally, Texmaco's strong order book further enhances its growth potential, making it a compelling investment opportunity in the railway sector. Given the strong momentum among railway companies, we recommend capitalising on this trend and **buying** the stock.

Auto Ancillary

Accelerating Ahead in Top Gear



Amidst a scorching June heat wave that has impacted automotive sales, automotive and ancillary stocks are soaring to new heights, bolstered by strong performances from the companies. Diverse perspectives on government initiatives and budgetary expectations, coupled with anticipation surrounding major IPOs, are shaping a dynamic landscape in the industry. What exactly is unfolding in the automotive industry? Mandar Wagh delves into the factors driving optimism within the industry and offers forecasts for its future trajectory

During a robust and uninterrupted uptrend, the Indian benchmark indices BSE Sensex and Nifty 50 consistently reached new record highs on the bourses. Numerous sectors reaped substantial benefits, with the Indian automobile and ancillary industry emerging as one of the best performers. The BSE Auto index, the sectoral gauge, significantly outpaced the main indices, delivering impressive returns of 37 per cent year-to-date and 67 per cent over the past year.

BSE Auto Index Performance Compared to Benchmarks

Index Name	Returns (%)		
	1 Month	YTD	1 Year
BSE Sensex	11.25	10.96	22.47
Nifty 50	11.22	11.95	25.54
BSE Auto Index	9.50	36.75	66.71

Furthermore, the industry shielded investors' wealth during a market bloodbath amidst heightened volatility and uncertainties surrounding the Lok Sabha election results, surging over 8 per cent in the week of the results. Despite a scorching June heat wave impacting automotive sales, its effect on the price movement of automotive and ancillary stocks was relatively minimal. Let's explore the factors contributing to this optimism within the industry and understand its future potential outlook.

About the Industry

The Indian automobile and ancillary industry includes automobile manufacturers of passenger vehicles, commercial vehicles, two-wheelers and three-wheelers. It also involves the production of automotive components such as engine parts, transmission systems, suspensions, electrical parts and tyres. Additionally, the industry covers fuel systems, lubricants, automotive electronics and aftermarket services. Research and development, logistics, supply chain management and dealerships for new and used vehicles are integral parts too. The industry serves as a steadfast barometer of the country's economic vitality, pivotal in driving macroeconomic growth and technological advancement.

According to the Department for Promotion of Industry and Internal Trade (DPIIT) report of March 2024, the automobile industry accounted for 5.34 per cent of the total foreign direct investment (FDI) inflow into India. It employs around 19 million people, both directly and indirectly. India ranks as the world's third-largest automobile market, holding the top position globally for manufacturing three-wheelers, passenger vehicles and tractors, and standing as the second-largest manufacturer of two-wheelers. India is a significant exporter of automobiles, with strong expectations for export growth in the near future.

In 2023-24, the country exported a total of 45,00,492 vehicles, with two-wheelers comprising approximately 76.8 per cent of these exports. With a strong emphasis on the burgeoning middle-class and a sizeable youthful demographic, the industry is predominantly led by the two-wheeler segment, which has experienced notable expansion. In 2021, the Indian passenger car market was valued at USD 32.70 billion. It is projected to reach USD 54.84 billion by 2027, with a CAGR of over 9 per cent from 2022 to 2027.

The electric vehicle (EV) market is projected to achieve a CAGR of around 50 per cent from 2022 to 2030. By 2030, it is anticipated that the EV industry will generate approximately 5

million direct and indirect jobs. The Indian automotive component industry achieved a record-high turnover of USD 69.7 billion, marking a 33 per cent growth in FY 2022-23. The industry is poised to invest up to ₹58,000 crore by FY28 to enhance the localisation of advanced components, including electric motors and automatic transmissions. This move aims to reduce imports and leverage multinational companies' China Plus One sourcing strategy.

Drivers of Sector Growth

The growth of India's automotive and ancillary industry is driven by several key factors. Firstly, expanding consumer demand across vehicle segments, including passenger cars and commercial vehicles, continues to fuel production and sales. As more people move to urban areas, there is a heightened demand for personal vehicles and urban transport solutions. Higher disposable incomes enable consumers to afford and upgrade to personal vehicles, thereby boosting sales across vehicle segments and stimulating demand for automotive products and services.

Technological advancements, such as the adoption of EVs, connected technologies and autonomous driving systems, are reshaping the industry's landscape, encouraging innovation and meeting evolving consumer preferences. Government subsidies and tax incentives on electric vehicles in India aim to boost their adoption and support the growth of the EV market. These incentives include subsidies on EV purchase prices, reduced GST rates and Income Tax benefits for buyers. These government initiatives not only incentivise local production but also strengthen the industry's competitiveness in the global markets, fostering export opportunities and reducing dependency on imports.

Additionally, enhancements in supply chain capabilities and localisation efforts are improving operational efficiencies and cost structures within the sector. This strategic focus on strengthening the supply chain not only enhances resilience but also supports sustainable growth by mitigating risks associated with global supply chain disruptions. Overall, these factors collectively underpin the robust growth trajectory of India's automotive and ancillary industry, positioning it as a pivotal contributor to the country's economic development and industrial competitiveness on the global stage.

Government Initiatives Automotive Mission Plan 2047

The Automotive Mission Plan 2047 is a visionary strategic framework established by the Indian government, aiming to transform India into the world's largest automotive manufacturing hub by the centenary year of India's independence. This plan aspires to significantly boost the sector's contribution to India's GDP, create millions of new jobs and position India as a global centre for automotive research and innovation. The key objectives include promoting sustainability and green mobility by extensively advancing electric and hybrid vehicles, developing indigenous battery technologies and enhancing charging infrastructure. The plan also emphasises the use of alternative fuels like hydrogen and biofuels and aims to implement stringent emission norms to minimise the carbon footprint. Technological advancements are a core focus, with investments in autonomous and connected vehicle technologies, advanced manufacturing techniques such as Industry 4.0 and smart factories.

Financial Performance of Leading Auto Ancillary Companies by Market Capitalisation

Company Name	Latest Market Cap (₹ Crore)	Net Sales (Q4FY24)	Net Sales (Q4FY23)	Net Sales (Q3FY24)	Y-o-Y Growth (%)	Q-o-Q Growth (%)	Operating Profit (Q4FY24)
Samvardhana Motherson International Ltd.	1,39,221.58	27,058.22	22,516.99	25,697.56	20.17	5.29	2,877.62
Bosch Ltd.	1,01,858.79	4,233.40	4,063.40	4,205.20	4.18	0.67	783.30
UNO Minda Ltd.	66,896.66	3,794.02	2,888.97	3,522.91	31.33	7.70	483.15
Exide Industries Ltd.	48,339.50	4,172.90	3,676.76	3,979.83	13.49	4.85	453.03
Sona BLW Precision Forgings Ltd.	39,275.26	884.13	742.59	781.80	19.06	13.09	255.59
Endurance Technologies Ltd.	38,673.14	2,684.78	2,234.34	2,561.11	20.16	4.83	415.94
Amara Raja Energy & Mobility Ltd.	31,149.09	2,907.86	2,433.24	3,043.92	19.51	-4.47	443.65
ZF Commercial Vehicle Control Systems India Ltd.	30,266.57	958.64	976.94	898.51	-1.87	6.69	165.97
TVS Holdings Ltd.	28,256.36	10,124.63	8,522.97	9,996.37	18.79	1.28	1,556.27
JBM Auto Ltd.	25,364.60	1,485.95	1,010.06	1,346.17	47.12	10.38	177.18
HBL Power Systems Ltd.	14,527.79	610.09	402.61	599.26	51.53	1.81	138.03
Craftsman Automation Ltd.	13,750.60	1,105.34	980.37	1,129.70	12.75	-2.16	212.21
Minda Corporation Ltd.	11,768.68	1,214.98	1,074.55	1,165.81	13.07	4.22	148.36
Varroc Engineering Ltd.	10,375.72	1,974.86	1,699.12	1,884.59	16.23	4.79	227.45
ASK Automotive Ltd.	7,744.75	782.51	568.66	761.66	37.61	2.74	85.67
Sharda Motor Industries Ltd.	7,352.04	703.39	688.16	689.12	2.21	2.07	128.34
Sansera Engineering Ltd.	7,291.66	745.85	618.58	712.64	20.57	4.66	126.75
Suprajit Engineering Ltd.	7,215.90	783.12	699.01	724.18	12.03	8.14	113.77
Gabriel India Ltd.	6,925.07	916.98	736.98	815.43	24.42	12.45	86.37
Pricol Ltd.	5,932.58	584.16	523.49	572.59	11.59	2.02	78.49
JTEKT India Ltd.	5,586.54	632.08	530.18	552.00	19.22	14.51	73.97
Jamna Auto Industries Ltd.	4,984.77	640.15	633.89	604.01	0.99	5.98	89.37
Banco Products (India) Ltd.	4,976.63	723.87	609.30	570.64	18.80	26.85	120.49
Subros Ltd.	4,696.97	831.51	748.11	732.48	11.15	13.52	80.86
LG Balakrishnan & Bros Ltd.	4,579.37	606.96	523.02	600.37	16.05	1.10	112.96
Lumax Auto Technologies Ltd.	3,996.09	757.38	493.33	732.48	53.52	3.40	109.73
Sandhar Technologies Ltd.	3,587.07	917.83	764.97	889.52	19.98	3.18	100.49
Steel Strips Wheels Ltd.	3,550.53	1,068.67	1,004.93	1,110.30	6.34	-3.75	114.69
Fiem Industries Ltd.	3,513.02	557.52	436.25	487.28	27.80	14.42	78.44
Rajratan Global Wire Ltd.	2,974.17	239.57	219.43	232.69	9.18	2.96	35.41

FAME

The Faster Adoption and Manufacturing of (Hybrid) and Electric Vehicles (FAME) scheme is a pivotal initiative launched by the Indian government in 2015 under the National Electric Mobility Mission Plan (NEMMP), aimed at accelerating the adoption and manufacturing of electric and hybrid vehicles. The primary goal of the FAME scheme is to reduce vehicular emissions, decrease dependence on fossil fuels, and foster a sustainable transportation system by offering financial incentives to buyers, thus lowering the initial cost of ownership.

The scheme is being implemented in two phases: FAME I (2015-2019) focused on creating demand for EVs through subsidies for two-wheelers, three-wheelers, four-wheelers and buses, and supporting charging infrastructure and research and development. FAME II (2019-2024), with a budget of ₹10,000 crore, further emphasises public transportation and shared mobility, providing incentives for electric buses, three-wheelers, passenger cars and two-wheelers, and aims to establish a network of 2,700 charging stations across India. The FAME scheme has significantly contributed to the growth of the EV market, promoting a cleaner and more sustainable automotive future for the country.

PLI Scheme

The Production Linked Incentive (PLI) scheme is a strategic initiative launched by the Indian government in March 2020 to bolster domestic manufacturing and enhance India's global competitiveness across various sectors, including electronics, pharmaceuticals, automotive and textiles. The scheme offers financial incentives to eligible companies based on their incremental sales from products manufactured in India, with the primary objectives of creating large-scale employment, attracting investment, increasing exports and establishing India as a global manufacturing hub.

Operating Profit (Q4FY23)	Operating Profit (Q3FY24)	Y-o-Y Growth (%)	Q-o-Q Growth (%)	Net Profit (Q4FY24)	Net Profit (Q4FY23)	Net Profit (Q3FY24)	Y-o-Y Growth (%)	Q-o-Q Growth (%)
1,972.35	2,424.30	45.90	18.70	1,367.48	723.46	569.20	89.02	140.25
658.20	733.10	19.01	6.85	564.40	398.90	518.00	41.49	8.96
338.44	387.52	42.76	24.68	243.52	169.68	161.41	43.52	50.87
407.41	457.08	11.20	-0.89	185.52	180.71	202.78	2.66	-8.51
205.90	232.29	24.13	10.03	148.08	119.81	133.60	23.60	10.84
306.21	325.97	35.83	27.60	210.15	136.47	152.28	54.00	38.01
378.08	454.62	17.34	-2.41	229.78	142.42	254.75	61.34	-9.80
162.08	163.03	2.40	1.80	100.20	101.21	100.84	-1.00	-0.63
1,161.80	1,560.17	33.95	-0.25	473.43	328.13	545.53	44.28	-13.22
110.08	160.30	60.96	10.53	55.08	28.62	49.47	92.45	11.34
49.85	118.48	176.90	16.50	65.54	34.94	78.45	87.56	-16.46
193.32	223.70	9.77	-5.14	70.23	80.11	81.35	-12.33	-13.67
119.32	131.85	24.34	12.52	69.60	123.95	50.79	-43.85	37.03
177.33	184.52	28.27	23.27	53.22	31.51	358.82	68.89	-85.17
50.17	81.58	70.77	5.02	46.70	22.01	39.46	112.13	18.34
94.82	116.08	35.34	10.56	85.73	60.55	75.08	41.59	14.19
100.63	122.00	25.96	3.89	45.96	35.42	48.37	29.75	-4.99
92.69	96.23	22.75	18.23	59.15	41.01	40.25	44.24	46.97
58.82	74.06	46.84	16.62	49.04	33.76	41.25	45.26	18.90
63.30	69.75	24.01	12.53	41.50	29.80	34.02	39.26	22.00
52.36	52.45	41.27	41.03	34.29	26.18	23.75	30.99	44.38
82.12	87.53	8.83	2.11	54.77	52.49	54.94	4.35	-0.30
101.28	100.91	18.97	19.40	68.16	51.03	68.32	33.57	-0.23
56.68	66.15	42.66	22.24	30.68	18.64	26.79	64.59	14.52
97.57	118.31	15.78	-4.52	67.82	54.52	72.73	24.39	-6.75
61.92	115.86	77.22	-5.30	51.34	23.73	47.95	116.36	7.07
73.64	90.87	36.46	10.58	33.46	23.03	24.73	45.31	35.31
115.16	118.38	-0.40	-3.11	515.59	47.30	59.54	990.08	766.02
65.06	69.85	20.56	12.29	46.33	38.07	40.51	21.69	14.39
34.64	34.15	2.22	3.69	20.24	20.28	19.68	-0.20	2.85

In the automotive sector, the PLI scheme particularly focuses on the production of electric vehicles (EVs) and advanced automotive technologies, aiming to promote the local manufacturing of critical components such as battery cells and electric drive-trains. This initiative is designed to reduce import dependency and support the development of a robust EV ecosystem in India. The PLI scheme has been successful in attracting substantial investments from both domestic and international companies, providing a predictable and stable policy environment that encourages long-term planning and capacity expansion.

Automotive IPO Buzz

The recent news surrounding IPOs in the automobile industry has sparked discussions among investors, renewing confidence in the industry. Hyundai Motor India Limited, the Indian arm of South Korean automotive giant Hyundai Motor Co., has submitted preliminary documents to the Securities and Exchange Board of India (SEBI) to initiate an initial public offering (IPO) aiming to raise approximately ₹25,000 crore.

Ola Electric, the electric vehicle maker, has received official approval from SEBI for its IPO, through which the company aims to raise ₹7,250 crore. It will be intriguing to observe investors' reactions to Hyundai Motor India's plan to dilute a substantial stake in its Indian unit, as well as the level of investor interest Ola Electric manages to garner in terms of subscription.

Revving Up Profits

We have selected the top 30 BSE-listed automotive ancillary companies for analysis, based on their latest market capitalisation. Analysing the year-on-year financial performance for Q4FY24, a majority of the companies achieved double-digit revenue growth, contributing to an aggregate revenue growth of about 19 per cent. Although a few companies saw a slight decline in operating profit and net profit growth, the majority reported significant double-digit growth in these metrics.

Aggregate operating profit and net profit exhibited substantial year-on-year growth rates of 33 per cent and 60 per cent, respectively. Steel Strips Wheels Ltd., Lumax Auto Technologies Ltd. and ASK Automotive Ltd. showed remarkable triple-digit growth in net profit. Lumax Auto Technologies Ltd. and HBL Power Systems Ltd. led in revenue growth with significant figures.

Though the sequential performance was less impressive compared to year-on-year results, the aggregate figures still showed a 4 per cent increase in revenue and a 28 per cent rise in net profit. The strong financial performance of companies, coupled with government initiatives and sectoral tailwinds, bolstered investor confidence, resulting in a robust rally in automotive ancillary stocks. Remsons Industries Ltd., Sharda Motor Industries Ltd. and TVS Holdings Ltd. led the sectoral gains. Remarkably, around 15 automotive ancillary stocks have doubled investors' wealth over the past year!

Best Performing Auto Ancillary Stocks

Company Name	Latest Market Cap (₹ Crore)	Returns (%)		
		1 Month	YTD	1 Year
Remsons Industries	717.46	12.04	50.63	329.71
Sharda Motor Industries	7,352.04	65.85	89.78	214.35
TVS Holdings	28,256.36	27.31	75.57	199.00
The Hi-Tech Gears	1,910.87	8.95	113.24	155.07
Gabriel India	6,925.07	32.37	19.79	147.87
Samvardhana Motherson Intl.	1,39,221.58	44.84	94.28	141.42
Talbros Automotive Components	2,121.29	28.71	16.93	130.82
Banco Products (India)	4,976.63	23.06	10.53	129.09
Triton Valves	373.10	22.41	109.84	128.45
Pricol	5,932.58	17.56	27.81	121.70
NDR Auto Components	1,088.06	20.90	9.57	114.92
Setco Automotive	190.75	34.02	107.87	109.40
UNO Minda	66,896.66	38.01	70.63	108.69
Varroc Engineering	10,375.72	32.20	21.41	99.88
IP Rings	255.23	22.85	15.16	88.71
Autoline Industries	512.76	23.80	-0.79	87.41
India Nippon Electricals	1,852.69	29.86	53.39	86.28
IST	1,142.44	3.93	23.56	85.47
Bosch	1,01,858.79	16.79	54.06	80.99
Kinetic Engineering	460.85	25.73	50.25	76.90

The impressive performance of automotive and ancillary stocks may prompt investors to consider entering the market to capitalise on the current opportunities. However, with many stocks already experiencing significant gains, it is crucial to consider the valuations carefully. The Nifty Auto index's current PE ratio is around 25 times, which is relatively low compared to its one-year PE range, where the low and high are 22 times and 32 times, respectively.

The Indian automotive component industry achieved a record-high turnover of USD 69.7 billion, marking a 33 per cent growth in FY 2022-23. The industry is poised to invest up to ₹58,000 crore by FY28 to enhance the localisation of advanced components, including electric motors and automatic transmissions.

Investors should focus on companies with strong fundamentals, consistent growth and lower valuations that offer more upside potential. A key concept to remember is the margin of safety – the difference between a stock's intrinsic value and its market price. The larger the margin of safety, the lower the investment risk. Investing in the automotive sector can be a prudent choice if you carefully evaluate the current economic and market conditions, industry trends and specific growth drivers.

Adapting to Challenges

The Indian automotive and ancillary industries confront several formidable challenges that impact their operational resilience and growth prospects. Economic disruptions can dampen consumer demand for vehicles, directly affecting sales volumes and production levels. Moreover, regulatory fluctuations, such as stringent emission norms and safety standards, necessitate continual investment in technology upgrades and compliance measures, adding to operational costs. The industry also faces the disruptive impact of technological advancements, particularly the shift towards electric vehicles (EVs) and autonomous driving technologies, requiring substantial research and development investments and infrastructure adaptations.

Environmental concerns drive the need for sustainable practices and cleaner technologies, which entail additional expenditures. Intense competition, both domestically and internationally, adds pressure on profit margins, while skill shortages and infrastructure limitations, such as inadequate road infrastructure and EV charging networks, present ongoing operational challenges.

Industry stakeholders are navigating these complexities by adopting agile strategies that include innovating in technology and business models, advocating for policy reforms, initiating skill development programmes and forging strategic collaborations. In conclusion, the government's focused support, robust backing, India's ability to attract investments, strategic technological collaborations with global leaders, and a positive shift in public sentiment towards embracing change collectively position the country to overcome these challenges and emerge as the world's leading automotive manufacturing hub!

Small-Caps: Big Prices, Questionable Value

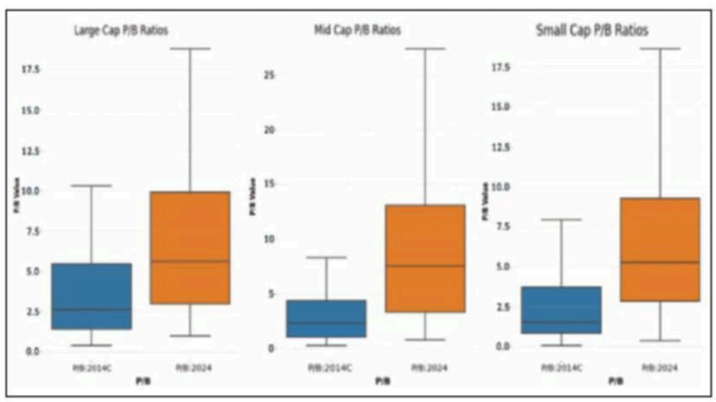
Dr. Ruzbeh Bodhanwala and Dr. Shernaz Bodhanwala, faculty at FLAME University, Pune, undertake an analysis and suggest that if the valuations are overstretched in small-cap stocks, it is best to diversify and move to large-cap stocks, which are highly liquid and relatively undervalued

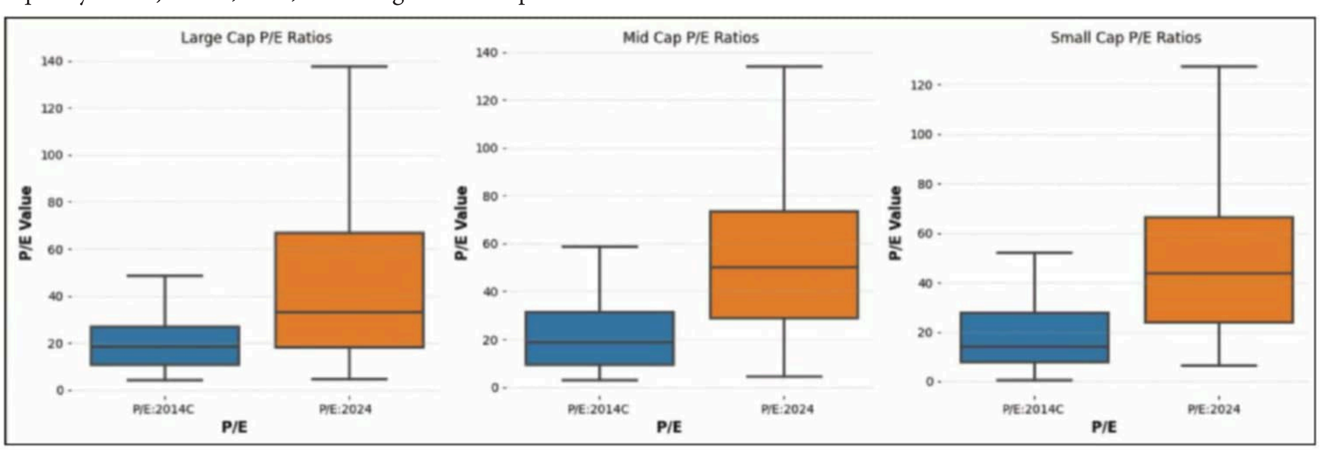
With Indian equity benchmarks, Nifty and Sensex, making new lifetime highs, it's crucial to pay attention to the valuation metrics. In this study, we aim to understand the extent of overvaluation or undervaluation in the Indian equity market. We are using price-to-earnings (PE) ratio and price-to-book (PB) ratio as the valuation multiples and examining the gaps between large-caps, mid-caps and small-caps. We have selected the top 500 stocks based on their market capitalisation and classified the top 100 as large-cap stocks, followed by the next 150 stocks as mid-cap stocks, and the remaining as small-cap stocks. This analysis will help us identify potential risks in the market.

The mean reversion theory in finance is a pivotal concept. It teaches us that asset prices tend to revert to their long-term mean values. The further the deviation from the mean, the higher is the likelihood of a correction towards the mean. However, there can be exceptions, and stocks can persist in overvalued territory for an extended period, either due to sector tailwinds, the company's performance relative to its peers, or sheer euphoria. American economist Alan Greenspan famously termed this as "irrational exuberance". The problem arises when many stocks are trading significantly above their mean values and their fundamentals do not support the valuations.

This could strongly indicate a significant correction. Whenever corrections occur, they are more severe in small-cap stocks than large-cap stocks, primarily due to insufficient liquidity. As of June 27, 2024, the average market capitalisation of large-cap stocks was ₹2.8 lakh crore, mid-cap was ₹54,000 crore and small-cap was ₹15,000 crore. As the saying goes, a picture is worth a thousand words. In line with this, we have plotted the PE multiples of 2014 versus 2024 for large-cap, mid-cap and small-cap stocks, using a box plot. This visual representation provides a clear and concise comparison of the two years.

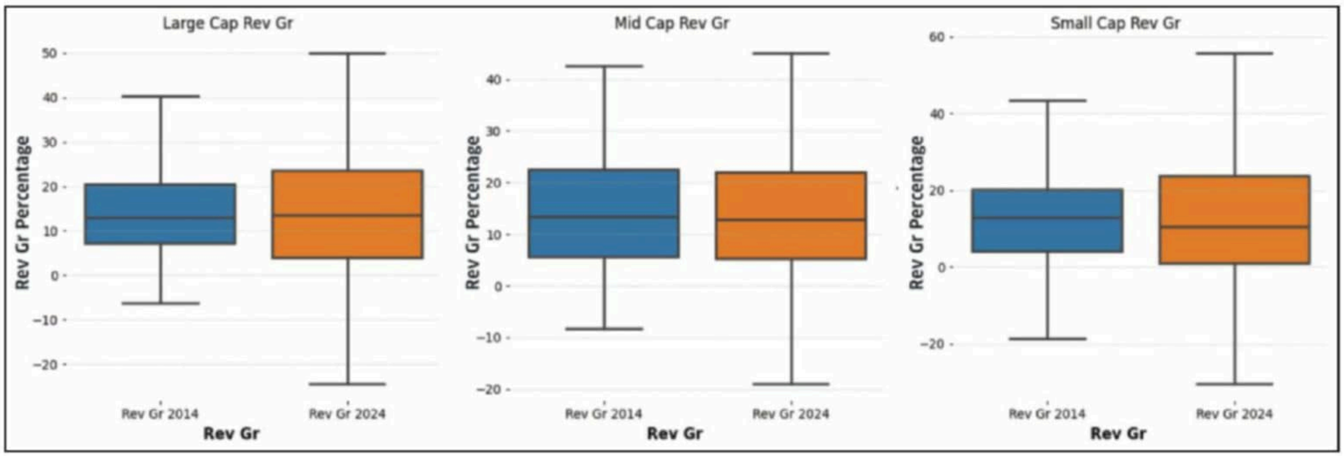
As can be seen, the PE multiples in 2024 in small-cap stocks are far too stretched compared to what they were in 2014 and compared to large-cap stocks. The median PE ratio of the small-cap category is 44 compared to 14.4 in 2014. The median PE for large-cap and mid-cap stocks in 2024 (cf. 2014) is 33.3 (18.7) and 50.2 (19.0), respectively. Let's see if there is a similar story when we plot the PB ratio for the same stocks.

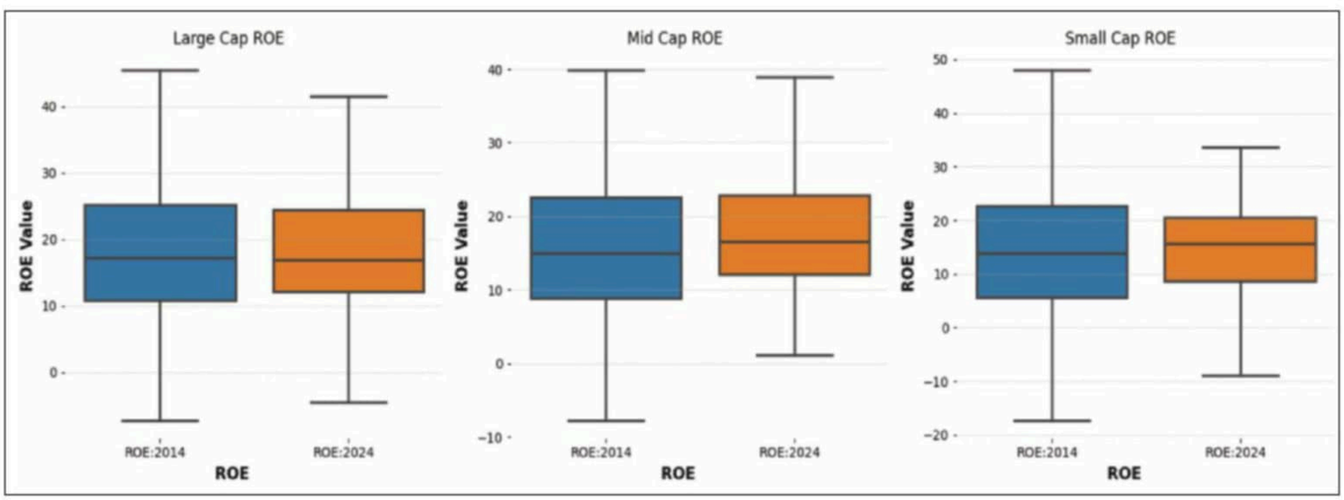




The PB ratio indicates the relationship between market capitalisation and the book value of the equity and conveys the same story as expressed by the PE ratio. The PB ratio of many small-cap companies is much higher than that of 2014 data and that of large-cap stocks. The median PB ratio of the small-cap category stood at 5.3 in 2024 compared to 1.5 in 2014. One justifiable rationale for the overstretched valuation of small-caps could be a high return on equity (ROE) or high sales growth. So, technically speaking, if the small-cap companies have high ROE, then this would justify their high valuation. Alternatively, we can explain the overvaluation if these companies have high growth rate (proxy sales growth).

Whenever corrections occur, they are more severe in small-cap stocks than large-cap stocks, primarily due to insufficient liquidity. As of June 27, 2024, the average market capitalisation of large-cap stocks was ₹2.8 lakh crore, mid-cap was ₹54,000 crore and small-cap was ₹15,000 crore.





In 2024, the median ROE for large-cap, mid-cap and small-cap categories were 16.9, 16.4, and 15.7, respectively. For the same period, the median year-on-year revenue growth for large-cap, mid-cap and small-cap categories were 13.6, 12.9, and 10.5, respectively. If returns and growth are not the differentiators, the question arises about what drives the prices of the small-cap stocks. One reason could be an increase in the systematic investment plan (SIP) flows and direct investments by non-institutional investors favouring the small-caps. We don't deny that valuations may be justified in some pockets of small-cap stocks, but it would be like looking for a needle in a haystack. An investor should constantly remember that capital protection is the key to survival in the stock markets. If valuations are overstretched in small-cap stocks, it is best to diversify and move to large-cap stocks, which are highly liquid and relatively undervalued, or consult your investment advisors, who will guide you in finding the right small-cap stocks based on your risk profile. This is a prudent approach to investing. Retail investors should not only look at returns but also consider the risk of capital when investing.

Inclusion of Indian Bond in JPM EM Global Bond Index Spells 'License To Grow'

"Bond, James Bond" has to be without a doubt the most iconic and popular dialogue in the history of world cinema. Nonetheless, in the world of finance, it's not about Agent 007 with the 'license to kill' but rather the financial instrument, the bond. Vaishnavi Chauhan explains how the recent news about bonds will impact the turns of the future market scenario

Recently, Indian government bonds have been included in the JP Morgan Government Bond Index – Emerging Market (GBI-EM) starting June 28, 2024. This process will unfold over 10 months, and conclude on March 31, 2025. Initially, India will have a 1 per cent weight in the JP Morgan EM Bond Index, which will gradually increase to 10 per cent over this period. This inclusion is anticipated to bring USD 20-22 billion in inflows into the Indian bond market.

Not All Bonds Are Equal

When we talk about bonds, there are various types. Which ones are included in the JPMorgan Emerging Market indices? Only Indian government bonds issued by the Reserve Bank of India (RBI) under the fully accessible route (FAR) will be included. All FAR-designated Indian government bonds (IGBs) maturing after December 31, 2026, will be included. Investing in government securities has become much easier for non-resident Indians (NRIs) through the RBI retail direct platform. This platform offers several benefits, such as no brokerage fees, commissions, annual maintenance fees or account opening charges.

The RBI introduced the fully accessible route on April 1, 2020, allowing non-residents to invest in specified government bonds without restrictions. This initiative, announced in the budget, opens certain categories of government bonds fully to non-resident investors, eliminating investment ceilings for eligible participants. FAR operates alongside existing investment routes, such as the Medium Term Framework (MTF) and the Voluntary Retention Route (VRR).

The primary benefits of FAR include making it significantly easier for non-residents to access Indian government securities markets, facilitating the inclusion of these securities in global bond indices, and attracting stable foreign investment in government bonds. NRIs can invest in government securities on both repatriable and non-repatriable bases, depending on the terms of the investment scheme, without any inherent restrictions.

U.S. Inflation versus India

Bonds are known for their stability and fixed returns, but they are still affected by inflation. When inflation rises, central banks usually increase interest rates to manage it. This leads to new bonds being issued with higher interest rates, causing the prices of the existing bonds to drop to match the higher yields of the new bonds. On the other hand, when inflation decreases, central banks cut interest rates, resulting in new bonds with lower interest rates. This boosts the prices of the existing bonds because they offer relatively higher returns.

The inverse relationship between interest rates and bond prices is crucial to understand. Inflation rates influence interest rates, which in turn affect bond yields and prices. Different types of bonds react differently to inflation. Generally, government securities (G-Secs) and AAA-rated bonds respond more slowly to inflation compared to lower-rated bonds, which tend to be more volatile. During the expansion phase, the economy experiences strong growth, characterised by low interest rates, and rising employment and wages.

However, the peak marks the end of this growth, with increasing prices and inflation. To control inflation, the Federal Reserve raises interest rates in the U.S., initiating a contraction phase. In the contraction phase, prices fall, growth slows and employment drops. Prolonged contraction can lead to recession and deflation. As the economy reaches the trough, prices hit their lowest point before the cycle restarts, with rising inflation. In July 2023, the inflation rate in the United States was 3.18 per cent. This increased to 3.67 per cent in August, and by September 2023, it was 3.70 per cent.

By January 2024, the inflation rate had fallen to 3.1 per cent. It then rose to 3.2 per cent in February and 3.5 per cent in March, reaching the year's highest mark. However, in April, it decreased to 3.4 per cent. As of May 2024, the current inflation rate in the U.S. stands at 3.3 per cent. In India, retail inflation eased to 4.75 per cent in May 2024, the lowest in 12 months since May 2023. According to the latest forecast, the Reserve Bank of India has kept its inflation projection steady at 4.5 per cent for the fiscal year 2024–2025.

Governor Shaktikanta Das mentioned that inflation is expected to be 4.9 per cent in Q1, 3.8 per cent in Q2, 4.6 per cent in Q3 and 4.5 per cent in Q4, with risks evenly balanced. With anticipated declining inflation, experts predict there could be a rise in foreign institutional investor (FII) inflows in the near future. This outlook suggests positive expectations for the economy, aiming to attract more foreign investments into the country. Hence, higher inflows and expected lower rates will help the equity market in a big way as bond yields go down.

Equity Bonding with Bond

Understanding earnings yield and bond yields is crucial for analysts and asset allocators. These yields help determine whether to allocate resources to equity or debt, although they are just one of the factors to consider. Let's take a closer look at how bond yields and the equity market interact and how bond yields impact equity markets. Generally, equity valuations and bond yields move in an inverse relationship, with some exceptions. The bond yield and the equity market relationship operate in two key ways:

1. **Impact on Cost of Capital** — When bond yields rise, the weighted average cost of capital (WACC) increases. This means future cash flows will be discounted at a higher rate, negatively affecting equity valuations.
2. **Cost of Funds and Solvency Risk** — Higher bond yields lead to higher costs of funds for companies, increasing their solvency risk. This also negatively impacts equity valuations.

In summary, understanding the relationship between bond yields and equity markets is essential for making informed investment decisions.

Understanding Inflation's Impact on Discounted Cash Flow (DCF) Analysis

Discounted cash flow (DCF) analysis is a method used to value a business or project by forecasting future cash flows and discounting them to their present value. However, inflation can influence the accuracy of DCF analysis by reducing the purchasing power of money over time. High inflation can have a significant impact on the present value of future cash flows, potentially lowering business valuations. Conversely, lower inflation rates tend to increase the present value of future cash flows and can lead to higher business valuations.

This relationship is particularly important for investors considering growth companies. These companies are often expected to generate positive cash flows in the later years of their business cycle. Investing in bonds issued by such growth companies as compared to value companies over the long term can be a profitable strategy. By purchasing these bonds, investors can benefit from regular interest payments and the eventual return of their principal investment, which is especially attractive if the company's growth prospects materialise as expected. This approach allows investors to participate in the potential success and profitability of growth companies while mitigating some of the risks associated with equity investments.

Conclusion

In the coming times, the bond market in India is poised for growth, marking a significant stage. Bonds not only provide stability to portfolios but also offer lower risk compared to equities. The latest development of the Indian government bonds being included in the JP Morgan Government Bond Index – Emerging Market (GBI-EM) is set to open new opportunities. This inclusion is expected to attract more FIIs to India, boosting investments and benefiting growth-oriented companies. Overall, this news bodes well for the Indian markets, promising positive impacts and signalling a potential rise in bond market activity.

"Expanding our product portfolio is a crucial aspect of business strategy"

Shujaul Rehman
CEO, Garware Technical Fibres Ltd

In this exclusive interview, **Shujaul Rehman Chief Executive Officer, Garware Technical Fibres Ltd** asserts that their approach includes a structured plan for market visits by our R&D and business teams, enabling us to enhance and adapt our offerings to meet the evolving demands of our customers.

How is Garware positioned to capture the projected growth of the global technical textile market, reaching USD 274 billion by 2027?

Garware is strategically positioned to leverage the anticipated growth of the global technical textile market, which is forecasted to reach USD 274 billion by 2027. This expansive market encompasses diverse application segments and products across woven and non-woven categories.

Garware Technical Fibres Limited (GTFL) specializes in woven textiles, particularly in three key application areas: Agro tech, Geo tech, and Sports tech. Within these segments, GTFL offers a range of specialized products, such as marine fishing nets, aqua cages, sports nets, shade and insect nets, safety nets, cover tarpaulins, mooring ropes, geo bags, geo tubes, geo grids, and more.

In these targeted application segments and products, GTFL holds a prominent position as a leading player in the global technical textile market. The company perceives significant opportunities for growth, both in international exports and within the Indian market.

A notable growth segment for GTFL is the aquaculture market, which falls under Agro tech. GTFL is recognised as the largest producer of salmon aqua nets globally. Given the rising global consumption of salmon, with per capita consumption expected to reach 20 to 22 kg by 2028 and production set to reach 3.5 million tonnes, GTFL sees stable and increasing demand for its salmon aqua nets. Moreover, the company has strategically diversified into non-salmon markets in the Mediterranean and Southeast Asian regions, expanding its market reach.

The current consumption per capita is between 6 to 8 Kgs in large markets like Norway, Sweden & Finland for example. This means that there is significant growth potential among the largest markets.

With a dedicated team focusing on both salmon and non-salmon markets, GTFL's combined addressable market size is estimated at around USD 185 to 190 million.

In the sports segment, GTFL targets an addressable market size of approximately USD 100 to 110 million, primarily with its core netting and allied products. Additionally, GTFL is actively engaged in allied products within the international sports market, enhancing its market presence and revenue streams.

What specific strategies are in place to capitalise on the rising demand for geosynthetics and non-woven technical fabrics?

To capitalise on the growing demand for geosynthetics and non-woven technical fabrics, specific strategies are being implemented:

The strategy for Geosynthetics is centred on several key sectors in India, including slope stabilization and geo-hazard mitigation, landfills, and coastal and river protection. Additionally, targeting export markets in coastal and river protection and slope stabilization segments is part of the strategy.

Our aim in India is to establish ourselves as one of the top players in these segments by introducing innovative products to the market. Simultaneously, in export markets, we strive to become the preferred partner in niche markets.

The addressable global market for these strategies is estimated to be around USD 450 to 500 million. However, we are not into non-woven technical fabrics which is essentially a commoditised product business.

What are the biggest challenges Garware faces in the current market environment?

The penetration levels of technical textiles in the Indian market are currently less than 10 per cent. Customer awareness regarding the benefits of technical textiles is still gaining traction. As awareness grows regarding the advantages of technical textiles, the market is expected to recognise their value, cost competitiveness, and durability.

Export markets show higher awareness and inclination towards the usage of technical textiles. However, reaching different countries on time remains a challenge, especially considering transit time factor. However, we are trying to find logistics solutions to ensure that our customer commitments are met.

The current scenario, including challenges like the Red Sea factor, container availability issues, contributes to increased freight costs and delivery times in export markets.

Our products are primarily polymer-based, and fluctuations in global oil prices significantly impact raw material costs. While we do pass on the increase in raw material costs to customers, there may be a slight time lag of 1-2 months due to pipeline orders and inquiries.

How is Garware preparing for the future of the textile industry, considering technological advancements, and changing consumer preferences?

We actively seek opportunities in technical textiles for both domestic and export markets. Our approach includes participating in relevant exhibitions, seminars, and symposiums for key application segments like Agro tech (including Fisheries), Geo tech, Sports, and Infrastructure. We engage regularly and systematically with the market through our Marketing & Sales team, as well as involving our R&D & Manufacturing team. This ensures that we stay updated on industry developments and customer needs, allowing us to tailor our offerings effectively.

We invite customers to visit our manufacturing facilities to showcase our capabilities and products. This not only fosters transparency but also builds trust and confidence in our brand.

To meet increasing demand effectively, we expand our capacity modularly. This approach enables us to scale our operations efficiently while maintaining quality standards.

Investing in training, reskilling, upskilling, and recruitment for our workforce is a priority. We believe that a skilled and motivated team is essential for driving innovation and delivering high-quality products and services.

Operating a dedicated technology development wing within our R&D function allows us to stay at the forefront of technological advancements. This ensures that we can offer cutting-edge solutions to our customers and remain competitive in the market. Our Solution Provider Approach to business opportunities emphasizes comprehensive and tailored solutions. This approach enables us to address the unique needs and challenges of our customers, strengthening our relationships and driving business growth.

What metrics does the company use to track and measure its progress in improving margins and profitability?

Garware is margin driven company strongly focused on profitability.We use several key metrics to track and measure our progress in improving margins and profitability. These metrics include volume, value, fixed costs, cash flow margins, operating profit (OP), and Return on Capital Employed (ROCE).

Our approach to measuring progress is governed by strategic imperatives and operational budgets for each financial year. We conduct structured monthly reviews where we thoroughly analyse the strategic imperatives and financial performance of each business unit. These reviews involve discussions with the business teams, including Manufacturing, Supply Chain, and Finance, following a structured agenda. During these reviews, we identify gaps and take corrective actions to address them.

To provide context, our performance data reflects significant growth. For instance, our Profit After Tax (PAT) has shown a Compound Annual Growth Rate (CAGR) of 23 per cent from Fiscal Year (F) 2014 to F23. Similarly, our EBIDTA margins have improved substantially, ranging from 10-14 per cent from F14 to F16 to 20-23 per cent from F20 to F23. These figures highlight our continuous efforts and progress in enhancing margins and profitability over the years.

What are the long-term growth aspirations for Garware? How does the company plan to achieve them?

We typically do not disclose specific growth targets publicly, but internally, we have a comprehensive five-year strategic plan for the company. This plan encompasses various business initiatives aimed at achieving our growth aspirations. Our primary goal is to enhance and expand our market leadership across different application segments, becoming the preferred choice for both our users and channel partners. Our growth strategy revolves around leveraging our core competencies.

As we progress towards profitable growth, we aim to maintain our current Operating Profit (OP) level at around 15 per cent. This approach reflects our commitment to sustainable and profitable expansion in the market.

How is Garware planning to expand its product portfolio and production capacity to meet the growing demand for technical textiles?

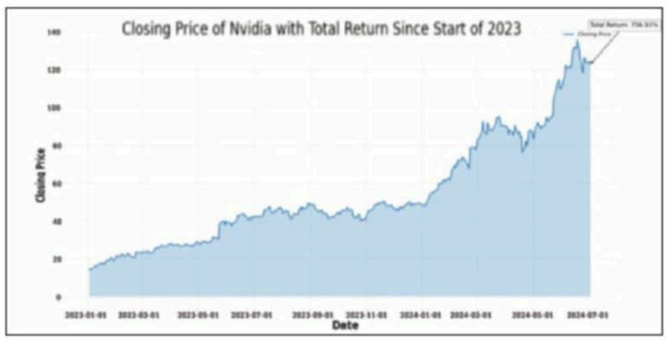
Expanding our product portfolio is a crucial aspect of our business strategy. We allocate around 25 to 30 per cent of our annual business to new products as part of our established norm. Our approach includes a structured plan for market visits by our R&D and business teams, enabling us to enhance and adapt our offerings to meet the evolving demands of our customers. We conduct monthly reviews of new products, focusing on key metrics such as volume and margins to ensure optimal performance and alignment with our growth objectives.

Invest Today in Tomorrow's Emerging Themes

In tune with the adage that the early bird gets the worm, investors would do well to identify those themes or sectors that are poised for tremendous growth in the coming days. If, as this report indicates, there is a clear shift towards electrical vehicles or digital technologies, then those are the kinds of sectors you should pay closer attention to. The stocks of these companies would definitely shoot up and give investors long-term benefits

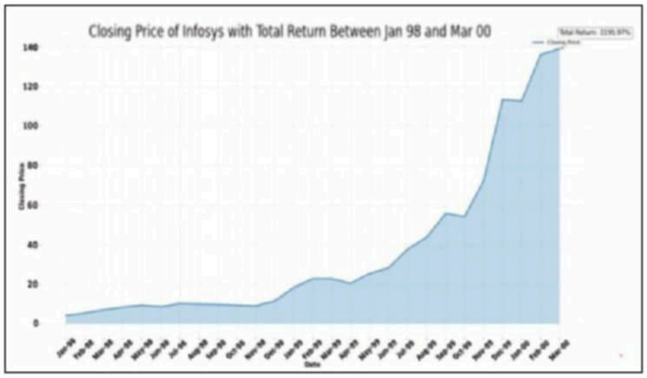
Nvidia's stock price has been on a tear lately, leaving many investors wondering if it's just a hot streak or a sign of something bigger. The technology giant, known for its powerful graphics processing units (GPUs), has seen its share price surge by 757 per cent in the last one and a half years. Though it corrected a bit last week, for a brief period of time the chip-maker became the world's most valuable company after its share price climbed to an all-time high on June 19. It was worth USD 3.34 trillion.

To give a context, the GDP of our country at the end of FY24 was around USD 3.7 trillion. The share price of Nvidia has nearly doubled since the start of this year. This surge coincides with a growing global interest in artificial intelligence (AI), with Nvidia's GPUs playing a crucial role in powering the development and deployment of these advanced technologies. In recent years, it has benefited from a boom in demand for chips that train and run generative AI models, the most well-known of which being OpenAI's ChatGPT.



This is not the first time that we are seeing a trend that is dominating the stock market. Remember the dotcom boom of the late 1990s? Companies like Amazon and eBay, then young and disruptive, rode the internet revolution to unimaginable heights. Even in India, we saw a massive increase in the share price of Infosys. Between the start of 1998 and March 2000, before the dotcom busted, the share price of Infosys rose by almost 3,200 per cent or 330 per cent every year.

Again, we saw a trend between 2004 and 2007 when many infrastructure and realty companies saw a vertical rise in their share price. For example, Unitech Group saw its share price increasing by 614 times between January 2004 and December 2007. More recently, the FAANG stocks (Facebook, Apple, Amazon, Netflix and Google) dominated the technology landscape, symbolising the dominance of social media and digital innovation.



Emerging Themes

The investment landscape is constantly evolving, shaped by powerful forces that drive business cycles and market trends. As an investor with a long-term perspective, understanding and capitalising on these emerging themes can be the key to unlocking significant returns. In the following paragraphs we will take you through a few themes that may play out over the next few years. Building a portfolio out of these themes has the potential to provide outsized returns.

Manufacturing Sector

India's manufacturing sector is poised to become a significant driver of economic growth in the coming years. As we navigate through the golden era of development, manufacturing is expected to lead the charge. Several factors point towards this transformation, backed by compelling data and favourable conditions. India's nominal GDP is set to witness a substantial increase from USD 3,353 billion in FY23 to an estimated USD 7,000 billion by FY30.

This remarkable two-fold growth rate sets the stage for manufacturing to play a pivotal role in the economy. Notably, the manufacturing gross value added (GVA) is projected to grow from USD 453 billion to USD 1,281 billion, marking an increase of 2.8 times in the same period. Such a significant surge underscores the sector's potential to not only contribute to GDP but also enhance India's position in the global manufacturing landscape.

	FY23		FY30E
Nominal GDP	3,353	2X	7,000
Manufacturing GVA	453	2.8X	1,281
Overall exports	778	2X	1,552
Merchandise exports	453	2.6X	1,198
Overall capex, GCF	1,080	2X	2,112

All figures in USD bn
Source: PIB, UBS, Morgan Stanley Research
GDP -Gross Domestic Product
GVA- Gross value added
GCF - Gross Capital Formation

Source: HDFC MF

Following table shows how Asian economies saw their manufacturing share growing during this phase of rapid economic growth

Country	High growth phase	Average Real GDP growth in high growth phase	Manufacturing share at start of high growth phase	Manufacturing share at the end of high growth phase
Thailand	1985-1991	9.3%	21.9%	28.2%
China	1990-2005	9.8%	9.1%	32%
Indonesia	1983-1996	6.3%	13.4%	24.1
Vietnam	2010-2022	6.1%	19.2%	25.8%
India	2023-2030	??	15%	??

Source: HDFC MF

Key Enablers

Several factors contribute to the optimistic outlook for India's manufacturing sector:

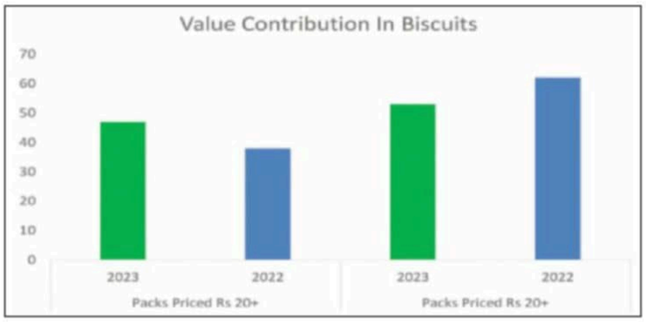
1. **Large Consumer Base and Export Opportunities**— India's vast consumer market and growing export potential provide a solid foundation for manufacturing growth. The shift towards a multi-polar world creates new avenues for exporting Indian-made products.
2. **Skilled Labour Pool** — India boasts a large and skilled labour pool, including a significant number of STEM (science, technology, engineering and math) and English-speaking graduates. This workforce is essential for high-end manufacturing and innovation.
3. **Cost Advantages** — India offers cost advantages compared to peers, particularly in labour costs. This competitive edge makes Indian manufacturing more attractive to global companies. For example, the monthly labour earnings of an employee in the manufacturing sector in India work out to USD 198 as compared to USD 1,000 in China.
4. **Improving Infrastructure** — Continuous improvements in infrastructure, supported by substantial capex, are expected to bolster manufacturing. Better roads, ports and logistics networks will facilitate smoother operations and reduce costs.
5. **Service Ecosystem** — A robust service ecosystem is emerging to support high-end manufacturing. This includes IT services, research and development and financial services, creating a comprehensive environment for manufacturing growth.
6. **Focus on Self-Reliance** — The Indian government's focus on self-reliance aims to boost domestic manufacturing. Policies and incentives are being introduced to encourage local production and reduce dependence on imports.
7. **Macro-Economic Stability and Geopolitical Factors**— India enjoys macro-economic stability and favourable geopolitical conditions, making it an attractive destination for manufacturing investments.

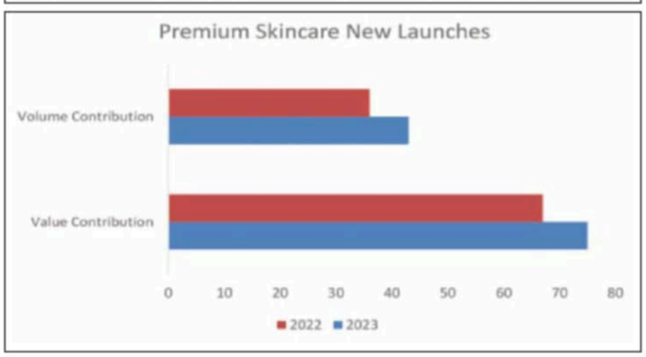
Companies and Sector To Look For

Several sectors within manufacturing are poised to drive growth, including chemicals, electrical and electronics, railways, capital goods and industrial machinery. These industries are expected to benefit from the aforementioned factors and contribute significantly to the overall expansion of manufacturing in India.

Premiumisation

The popular 'bottom of the pyramid' (BOP) proposition argues that large companies can make a fortune by selling to poor people. This seems to be now losing the shine in many sectors if not all. For example, more than 70 per cent of the new products launched by India's largest consumer goods maker Hindustan Unilever in the last two years were in the premium segment. Around 65 per cent of all new personal care product launches were in the premium segment for ITC, doubling the contribution of such products to the division's sales in the last four years to 38 per cent.





Also, a new report by Knight Frank, titled 'India Real Estate: Residential and Office (January - June 2024), reveals a shift in buyer preferences towards premium properties. Homes priced at ₹1 crore and above saw a significant rise in sales, accounting for a substantial 41 per cent of the total sales in the first half of 2024. This is a significant jump from just 30 per cent during the same period of 2023, highlighting a growing desire for luxurious living spaces.

Source: CBRE (Real Estate Consultancy)

Key Enablers

What is driving such a shift? As India's economy grows and disposable incomes rise, more and more people are willing to go deep into their pockets and splurge money on luxury products. According to a recent Goldman Sach's report, India's affluent class is expected to nearly double to 100 million people within three years. The confluence of robust economic growth, a stable monetary policy, and substantial credit expansion has significantly augmented purchasing power over the past decade.

This transformative trend has seen the number of affluent Indians, earning above USD 10,000 per annum, surge from 24 million consumers in 2015 to an impressive 60 million, constituting 4.1 per cent of the population at present, as highlighted in the report. The rising per capita income is changing consumer behaviour towards discretionary spending and now this movement is a lot more towards luxury, as evidenced across products like alcohol beverages, footwear, automobiles and electrical and electronic equipment. In our opinion, this trend is going to continue with an increasing number of apsirational consumers.

For example, India's smart phone market registered nominal growth of 1 per cent year-over-year (YoY) in calendar year 2023. Overall, 146 million smart phones were shipped into the country with the second half of the year, registering a growth of 11 per cent YoY, compensating for the sharp 10 per cent decline in the first half. The year also witnessed an increase in the average selling price (ASP) of devices, rising 14 per cent YoY in 2023, reflecting a shift towards premiumisation.

Similar is the case with Swiss watches, which also indicates premiumisation. The import of these watches swelled 16 per cent to cross a record 2,000 crore in 2023 as more aspirational Indians snapped up luxury timepieces, led by a sharp rise in December. Even in the case of two-wheelers for the financial year ended March 2024, Royal Enfield recorded total sales of 912,732 motorcycles, registering a 9 per cent growth over the corresponding period. The company also recorded a significant 14 per cent growth in the domestic market over the previous financial year.

Speaking about the performance for March 2024, B

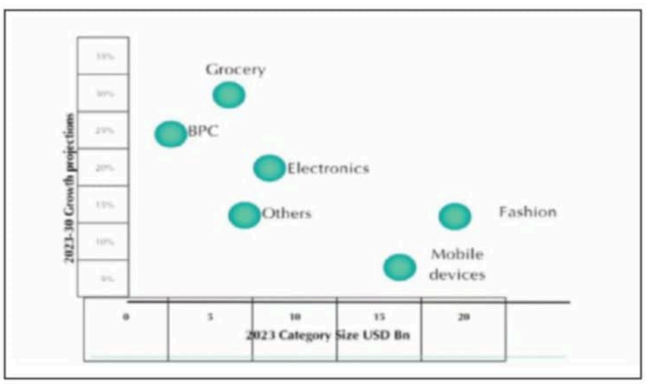
Govindarajan, CEO, Royal Enfield, said “We have outgrown the two-wheeler and motorcycle industry in the domestic market. All our motorcycles in the last two years have performed exceedingly well and have grown the market for our brand.” **Stocks across various sectors such jewellery, automobiles, consumer durables, hotel and fashion brands** are going to benefit out of this trend.

Technology and Digitisation

In the rapidly evolving landscape of global industries, digitisation stands out as the next compelling investment theme. Emerging technologies across sectors such as industrials, insurance, healthcare, digital infrastructure, retail and supply chain are revolutionising how product or services are delivered. Industrial companies, for instance, are heavily investing in technology to manage, digitalise and automate their physical assets, enhancing efficiency and productivity.

In the insurance sector, technological advancements are paving the way for the next wave of financial technology (fintech) innovations. Healthcare providers are increasingly adopting digital solutions to boost productivity and improve patient outcomes, reflecting a significant shift towards tech-enabled healthcare.

As the data indicates, digital infrastructure is set to evolve, supporting these massive requirements. Moreover, trends in artificial intelligence, cloud computing and security are becoming pivotal in enterprise resource planning and human resources. This confluence of technology and industry not only underscores the critical role of digitisation in the future but also highlights the vast investment opportunities it presents.



Key Enablers

This shift is enabled by the proliferation of affordable smart phones and data plans, which have broken down barriers of time and location. Additionally, a wider gamut of brands and offerings has emerged, further driving digital transformation across various sectors and industries. The following chart shows the opportunities that lie in various industries due to a shift in consumer adoption of digitisation. For example, business process outsourcing (BPC), which is at around USD 2.5 billion in market size, is likely to grow at around 25 per cent till 2030.

The shift towards digitisation in India presents significant opportunities across various sectors and companies. Business-to-business (B2B) and business-to-consumer (B2C) platforms and marketplaces stand to gain immensely from enhanced connectivity and streamlined operations. Direct-to-consumer (D2C) brands and consumer companies are poised to increase their wallet share by leveraging digital tools to reach and engage customers more effectively. The travel and tourism sector will benefit from improved customer experiences and operational efficiencies through digital solutions.

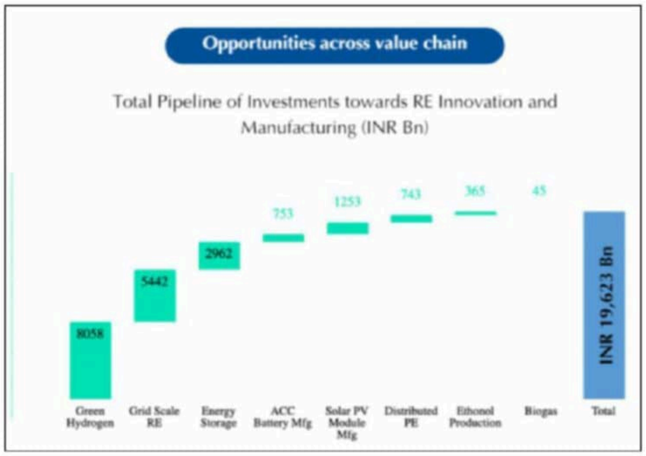
Non-lending financial services, such as insurance and asset management, can harness technology for better customer insights and service delivery. Additionally, the fulfilment and express delivery sectors are set to thrive with advancements in logistics technology, ensuring faster and more reliable deliveries. Intermediaries, acting as facilitators in various industries, will also find new avenues for growth by adopting digital platforms that enhance their service offerings and operational capabilities. This wave of digitisation is thus creating a dynamic landscape brimming with investment opportunities and growth potential across multiple sectors.

Going Green

A green wave is surging through the Indian economy, driven by a global push for sustainability and the urgent need to address climate change. This shift in priorities presents exciting investment opportunities for various sectors. In the mobility sector, for example, a clear transition from internal combustion (IC) engines to electric vehicles (EVs) is underway. This is being fuelled by both mandatory and voluntary factors.

On the mandatory side, stricter global regulations on emissions and India’s own initiatives like FAME (Faster Adoption and Manufacturing of Electric and Hybrid Vehicles) are pushing the adoption of EVs. Additionally, rapidly declining battery prices are making EVs a more attractive option for consumers, further accelerating the shift towards cleaner transportation. The energy sector is also witnessing a transformation, with a clear move away from fossil fuels and towards renewable sources like solar and wind power.

Government policies play a crucial role here, with initiatives like setting up large-scale green hydrogen production capacities and promoting battery storage solutions. This focus on renewable energy will not only benefit the environment but also create new business opportunities in manufacturing and infrastructure development. As India strives to achieve its ambitious target of 125 GW of renewable energy capacity by 2030, companies involved in solar PV systems, wind turbines and electrolyser production are poised to benefit significantly. In addition to these companies focused on EV may also benefit out of this shift.

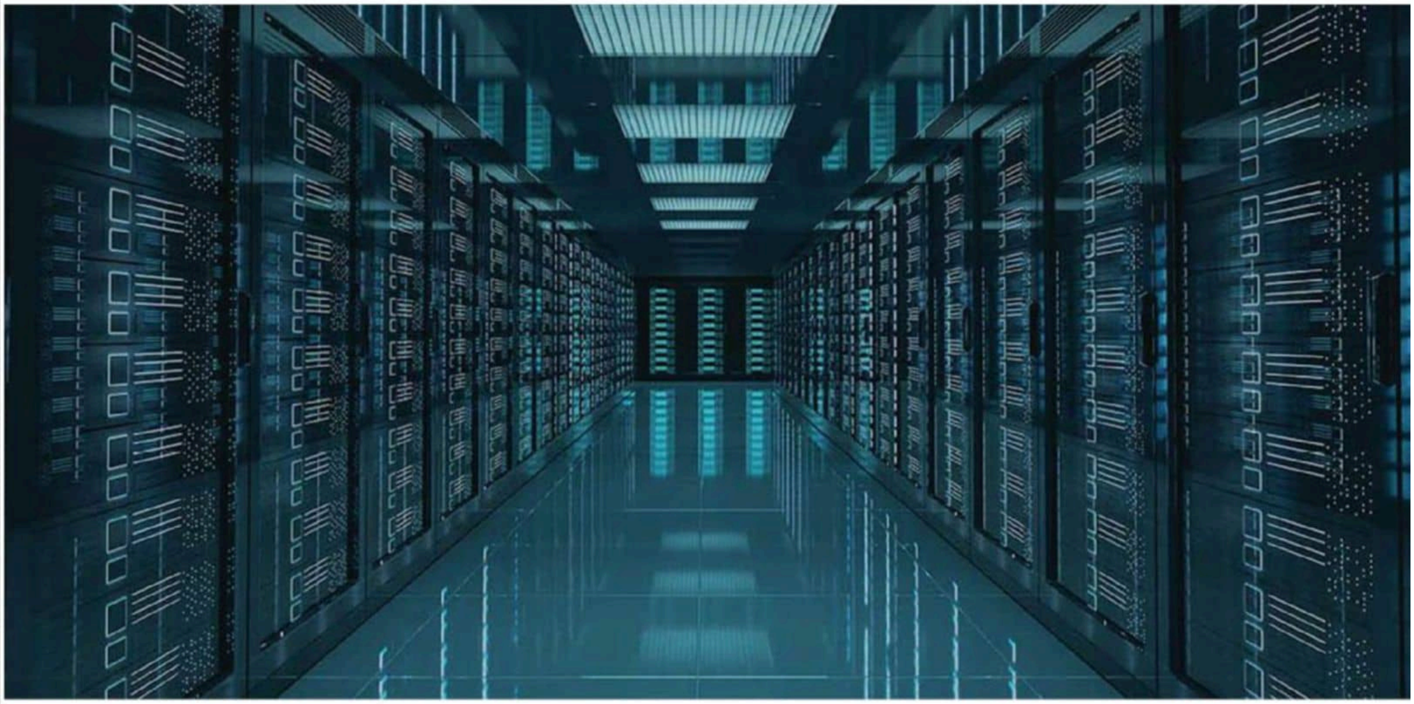


Emerging Themes: Powerful Allies for Long-Term Investment Success

Emerging themes can be powerful allies in your long-term investment strategy. By identifying these themes before they reach peak popularity, you gain access to companies poised for explosive growth. These pioneers are often disrupting traditional industries or even creating entirely new ones, offering immense potential returns. However, emerging themes require a long-term perspective. The companies driving these themes need time to develop their technologies, establish dominance, and generate consistent profits.

A long-term investment approach allows you to ride the wave of growth and fully benefit from the theme's potential. Furthermore, emerging themes offer diversification benefits. By investing in companies aligned with these themes, you are not solely reliant on established sectors and can mitigate risk while potentially enhancing your overall returns. Of course, challenges exist. Identifying the right themes demands in-depth research and an understanding of technological advancements, industry trends and economic factors. These companies are often young and susceptible to market volatility and unforeseen disruptions. So, how can you leverage emerging themes for long-term success?

Conduct thorough research. Spread your investments across companies within the chosen theme to reduce risk. Finally, embrace a long-term perspective. Be prepared to weather short-term market fluctuations and stay focused on the theme's long-term growth potential. By approaching emerging themes strategically and with a well-informed mindset, you can position yourself to capitalise on the transformative forces shaping the future and unlock significant returns on your investments. Remember, the early bird gets the worm, and so identifying trends before they become mainstream is the key in the ever-evolving world of investment.



Can Indian Technology Companies Match NVIDIA?

In the recent bull market, everyone is aiming for tremendous returns. Investors are particularly excited about multibagger stocks. The star of the show is none other than NVIDIA. This company creates the most advanced chips, systems and software for future AI factories. They also develop new AI services that help companies build their own AI factories. Vaishnavi Chauhan takes a closer look at companies beyond NVIDIA that are also at the forefront of this technology

Artificial intelligence (AI) might sound like a new concept, but it's actually quite old. Scientists and mathematicians in the U.S. have been exploring various AI concepts and theories since the 1940s. However, it was in February 1996 that the relationship between AI and humans changed significantly. One of the first AI computers, Deep Blue, defeated a world champion in a chess match. This event marked a significant milestone in the development of AI.

The ultimate winner of the AI race might not be OpenAI, Google or Microsoft, but actually NVIDIA. In the last 18 months, NVIDIA's market capitalisation has skyrocketed almost 10 times, from USD 280 billion to USD 3.012 trillion, making it the second most valuable company ahead of Google and Apple. The reason for its dominance is its GPUs, which power 88 per cent of the world's AI infrastructure. Whether it's ChatGPT or Gemini, all these AI models rely on NVIDIA GPUs for training and usage.

OpenAI uses 10,000 NVIDIA A100 GPUs to train GPT 4, and NVIDIA's next-gen H100 GPUs are even more powerful. Meta plans to purchase 350,000 of these GPUs for an astonishing USD 9 billion, and Meta is just one company. Other big and small companies, including OpenAI, Google, Amazon, and even Apple, are in the race. What makes NVIDIA GPUs so special? They introduced CUDA (Compute Unified Device Architecture) in 2006. This is a computing platform and programming model that transforms NVIDIA GPUs from serial to parallel computing.

To explain the difference, simply think of serial computing as a single boat taking limited passengers across a river in one go, whereas parallel computing uses multiple smaller boats to carry passengers simultaneously. This reduces the workload and increases efficiency. This parallel processing, needed to create lifelike graphics, is also ideal for deep learning, which is the backbone of artificial intelligence development.

Interestingly, NVIDIA doesn't manufacture all its chips. Instead, it contracts production to chip makers, including the world's largest chip manufacturer, Taiwan Semiconductor Manufacturing Company (TSMC). However, NVIDIA retains the core technology and design aspects of chip manufacturing. NVIDIA has announced that they are working on generative AI with technology giants like Amazon, Microsoft and Google. They are also partnering with cloud computing companies to make generative AI available to smaller businesses.

Needless to say, the global focus on AI-related advancements is centred on NVIDIA's stock. Investors, I would like you to turn your attention to India. We have a company here that has the potential to reach the scale of NVIDIA in the coming years. Netweb Technologies India (NTI) is a rising star in high-end computing, which is emerging as a major player in high-end computing solutions. With comprehensive design and manufacturing capabilities, NTI is making waves in the industry and has the potential to reach the scale of global giants like NVIDIA.

NTI: Impressive Financials

NTI has achieved its highest-ever quarterly and annual income and profits, showcasing impressive growth. Its operating income grew by 115.5 per cent year-on-year (YoY) for the quarter and 62.7 per cent YoY for the full fiscal year. Its profit after tax (PAT) increased by 181.8 per cent YoY for the quarter and 61.7 per cent YoY for the entire fiscal year. The board of directors recommended a dividend of ₹2 per share. The EBITDA margin stood at 15.2 per cent for the quarter and 14.2 per cent for the entire fiscal year.

The company's return on equity for FY24 was 29.4 per cent, while the return on capital employed was 38.5 per cent. Additionally, its net debt improved significantly to ₹(101.71) crore in FY24 from ₹28.5 crore in FY23, and the cash conversion cycle for FY24 stood at 69 days. In terms of business milestones, NTI got on board 171 new customers in the fiscal year and established a state-of-the-art SMT line expected to be operational soon. The order book increased significantly to ₹411.2 crore for March 2024 from ₹71.2 crore in March 2023.

The stock has demonstrated remarkable growth, with its price-to-earnings (P/E) ratio increasing, indicating a higher valuation. It has achieved multibagger status within just six months.

Its future prospects include partnering with NVIDIA for AI servers, launching Intel Sapphire Rapids and AMD Genoa-based 'Make in India' high-end computing servers, and leveraging India's potential in Generative AI alongside the global rise of AI. NTI's AI segment is rapidly expanding, with AI revenue growing 2.6 times year-on-year. The contribution to total revenue increased from 7 per cent in FY23 to 11 per cent in FY24, and AI is expected to contribute 15-16 per cent of the business next year and around 30 per cent within the next 4-5 years.

NTI is addressing challenges and opportunities in meeting the growing demand for AI infrastructure, with plans to ramp up networking switches sales and develop ORAN solutions. The company is also working on quantum computing, further highlighting its commitment to cutting-edge technology. NTI aims to maintain and improve its margins with a strong growth target of 30-35 per cent compound annual growth rate (CAGR) for the coming years. Fast order cycles allow for swift execution, and the planned capital expenditure (capex) of ₹35-40 crore is expected to support revenue growth to ₹1,800-2,000 crore, with routine maintenance capex at around 10 per cent of its gross revenue.

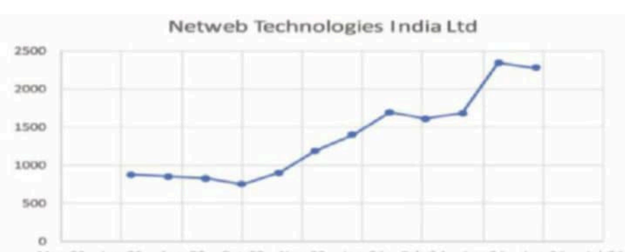
NTI has a strong partnership with NVIDIA, spanning 15 years, and has collaborated on various projects, including popularising CUDA for computing. The company maintains an OEM-ODM relationship with NVIDIA for chip design and architecture and has been recognised as NVIDIA's largest partner in India. NTI focuses on both new and repeat customers to drive revenue, having added 171 new customers in the fiscal year. Repeat business contributes over 70-80 per cent of revenue, and the company is aiming for 30-35 per cent CAGR in revenue.

The order book and L1 status indicate a high certainty of securing orders, with most of the business coming from central government institutions. NTI is optimistic about future growth, focusing on high-end computing and private cloud solutions. The company is positioning itself to be a key player in the AI sector, addressing challenges and leveraging opportunities in the supercomputing domain. With a strategic approach to business development and a focus on innovation, NTI is set to maintain a competitive edge and achieve substantial growth in the coming years. Keep an eye on this rising star in India's technology landscape.

Quarter On Quarter (Standalone) (₹ in Cr)

Particulars	Mar-24	Dec-23	Q on Q Var %	Mar-23	Y on Y Var %
Net Sales	265.89	253.40	4.93	123.39	115.49
Total Expenditure	225.47	219.16	2.88	108.22	108.33
PBIDT (Excl OI)	40.42	34.25	18.03	15.17	166.52
PAT	29.66	26.01	14.00	10.53	181.78
PBIDTM% (Excl OI)	15.20	13.51	12.51	12.29	23.68
PBIDTM%	16.68	15.30	9.02	13.29	25.51
PATM%	11.15	10.27	8.57	8.53	30.72
Adj. EPS(₹)	5.26	4.64	13.36	2.07	154.11

The following graph shows the rapid increase in the share price of the company:



> 2023 has been an incredible year of innovation. We're inspired to see how customers and developers are already leveraging AI to do things they couldn't before. I'm excited for the opportunities it will create in 2024.
>
> **Thomas Kurian,** CEO at Google Cloud, 2023

> This next generation of AI will reshape every software category and every business, including our own. Although this new era promises great opportunity, it demands even greater responsibility from companies like ours.
>
> **Satya Nadella,** CEO at Microsoft, 2023

It's not just Netweb Technologies India that is making waves. In September 2023, the U.S.-based chipmaker NVIDIA partnered with India's biggest conglomerates, Reliance Industries and Tata Group. Infosys also teamed up with NVIDIA the same month to develop generative AI solutions aimed at boosting productivity. NVIDIA's CEO Jensen Huang recently said that India's IT sector will be the 'front office' of the world's AI revolution.

In 2023, he mentioned that a trillion dollars worth of global data centre infrastructure will shift from general purpose to accelerated computing in the coming years. This shift is driven by companies worldwide racing to integrate generative AI into every product, service and business process. While working with major technology companies like Amazon, Microsoft and Google, NVIDIA has also been partnering with cloud-computing companies to make generative AI accessible to smaller businesses.

Conclusion

When we talk about a stock like NVIDIA in India, we are not emphasising its trillion-dollar valuation but rather focusing on a cutting-edge, home-grown AI company that can help millions of Indian businesses ride the AI wave. While it's easy to get caught up in the AI hype during volatile bull markets, remember that NVIDIA's current market capitalisation is arguably overvalued and cannot be justified even with healthy cash flows over the next decade. Don't rush in looking for the next NVIDIA. Rather, look for sustainable growth and innovation in Indian technology companies.

Company	Cmp (₹)	Mcap (₹ Cr.)	P/E (X)	Roe (Latest, %)	D/E (Curr Fy, X)	Sales Cagr (3 Yrs,%)	Profit Cagr (3 Yrs,%)
Hcl Technologies	1,428.60	3,88,339	24.70	22.80	0	12.80	10.30
Dixon Technologies	9,988.40	59,754	163.90	20.10	0.1	40.50	28.40
Persistent Systems	3,850.00	59,205	54.20	24.70	0.1	32.80	39.40
L&T Techonology	4,804.10	50,760	38.90	25.00	0	21.00	25.10
Tata Elxsi	7,110.00	44,333	55.90	36.20	0	25.00	43.40
Tata Technologies Ltd.	1,061.10	43,041	-	21.10	0	29.10	41.60
Kpit Technologies	1,523.10	41,751	69.70	23.80	0	16.00	37.80
Kaynes Technology	3,333.00	21,254	116.20	9.90	0.1	45.20	116.70
Cyient	1,917.20	21,303	30.30	15.10	0.3	10.80	14.70
Affle (India)	1,202.20	16,840	56.70	16.90	0.1	62.60	55.30
Computer Age Management Services	3,406.90	16,722	47.80	39.00	0	11.60	18.30
Indiamart Intermesh	2,545.50	15,295	40.80	19.70	0	21.40	6.10
Zensar Technologies	671.30	15,257	22.90	11.10	0	5.10	6.50
Olectra Greentech	1,743.00	14,311	202.50	8.00	0.2	75.90	70.40
Netweb Technologies	2,502.00	14,086	185.80	51.40	-	41.80	129.10
Clean Science & Tech	1,319.40	14,025	57.40	29.30	0	30.70	28.30
Intellect Design	949.90	13,012	40.60	14.00	0	18.70	6.80
Happiest Minds Technologies	842.40	12,806	51.60	16.80	0.3	28.10	15.20
Ce Info Systems	2,005.00	10,771	79.80	20.50	0	23.70	66.70
Mtar Technologies	1,706.30	5,260	93.50	16.70	0.2	39.00	48.90
Avalon Technologies	492.70	3,233	115.70	24.20	1.4	13.80	62.10
Ideaforge Technology	689.90	2,951	65.90	10.90	-	136.90	-
Bartronics India	18.90	580	415.60	78.10	0	-	-

Mukul Agrawal-Backed Semiconductor Stock Gains Over 180 Per cent in Just 6 Months

ASM Technologies specialises in providing consulting and product development services in the fields of engineering services and product R&D. The company offers a range of services including prototyping, testing, and pilot production, value engineering, hardware and software design for embedded systems, development of networking, wireless, and cloud security products, as well as product lifecycle management and sustenance services, along with test automation, among others. It caters to industries such as semiconductors, hi-tech, medical equipment, automotive, aerospace, enterprise storage and networking, and consumer electronics, among others.

The company's current market capitalization stands at ₹1,459.20 crore, and the stock has generated an impressive return of over 150 per cent in the past one year. In the last six months, the shares have delivered an impressive return of over 180 per cent. Regarding the shareholding pattern, the promoters own 57.35 per cent of the company and the public or retail investors hold 42.41 per cent. Ace investor, Mukul Agrawal purchased a 6.48 per cent stake in the company as per the July month update.

Almondz Global Securities Ltd Announces Record Date for Stock Split

Established in 1994, Almondz Global Securities Ltd offers financial advisory and consultancy services. The Board of Directors of the company, through a resolution, has set Tuesday, July 23, 2024, as the Record Date for the subdivision or stock split of existing equity shares. Under this plan, each fully paid-up equity share with a face value of ₹6 will be subdivided/split into 6 equity shares with a face value of Re 1 each.

The company's current market capitalisation stands at ₹366.41 crore. The stock has delivered a return of over 70 per cent in just 1 year. As per the Quarterly Results, in the fourth quarter of FY24, Almondz Global Securities Ltd recorded a revenue of ₹45.41 crore. The operating profit for Q4 FY24 stood at ₹4.56 crore. The net profit for Q4 FY24 was ₹6 crore. Looking at the annual performance, the company generated a revenue of ₹116 crore in FY24, compared to ₹76 crore in FY23. The operating profit for FY24 was ₹15 crore, with a net profit of ₹34 crore compared to the price of ₹16 crore.

Larsen & Toubro Bags A New Work Order of about ₹15,000 Crore For A Solar Project

Larsen & Toubro (L&T) has secured significant new contracts in the Middle East, further strengthening its renewable energy portfolio. The company's renewable arm has finalised agreements to build two massive solar photovoltaic (PV) plants with a combined capacity of 3.5 Gigawatt (GW). These projects will also include grid connections with substations and transmission lines.

This win comes on the heels of L&T's recent solar-storage plant order in India. With these new additions, L&T's renewable energy portfolio is set to reach a cumulative capacity of 22 GWp (Gigawatt peak). This impressive figure encompasses both commissioned and under-construction solar and wind generation projects. This order is expected to be worth ₹10,000 crore to ₹15,000 crore. Recently, Larsen & Toubro has secured a significant offshore order from Oil & Natural Gas Corporation (ONGC) for the eighth phase of their Pipeline Replacement Project (PRPVIII Group B) on India's west coast. This EPCIC contract, awarded to L&T's Energy Hydrocarbon (LTEH) vertical, involves the engineering, procurement, construction, installation, and commissioning of 129 kilometres of subsea pipelines and related modifications across ONGC's western offshore fields. This order is expected to be worth ₹1,000 crore to ₹2,500 crore.

Larsen & Toubro is a major technology, engineering, construction, manufacturing, and financial services conglomerate, with global operations. The company has an order book of ₹4.76 trillion. The stock has also delivered multibagger returns of about 140 per cent in the last three years. DIIs have also increased their stake in the company in March 2024.

BlackRock Bought 42,78,616 Shares of Swan Energy Limited

Swan Energy Limited was originally incorporated in 1909 as Swan Mills Ltd. (SML), a manufacturer and marketer of cotton and polyester textile products in India. Over the years, it diversified into real estate and is currently developing a Floating Storage and Regasification Units (FSRU)-based liquefied natural gas (LNG) import terminal at Jafrabad in Gujarat.

On July 8, 2024, BlackRock Emerging Frontiers Master Fund Limited purchased 2,458,508 shares of Swan Energy Limited at a price of ₹668 each, and BlackRock Global Funds India Fund bought 1,820,108 shares at the same price.

Swan Energy Limited's current market capitalisation stands at ₹22,733.46 crore, and the stock has generated an impressive multibagger return of over 175 per cent in the past 1 year. As per the Quarterly Results, in the fourth quarter of FY24, Swan Energy Limited recorded a revenue of ₹1398 crore. The operating profit for Q4 FY24 stood at ₹118 crore. The net profit for Q4 FY24 was ₹56 crore. Looking at the annual performance, the company generated a revenue of ₹5,017 crore in FY24, compared to ₹1,438 crore in FY23. The operating profit for FY24 was ₹868 crore, with a net profit of ₹586 crore.

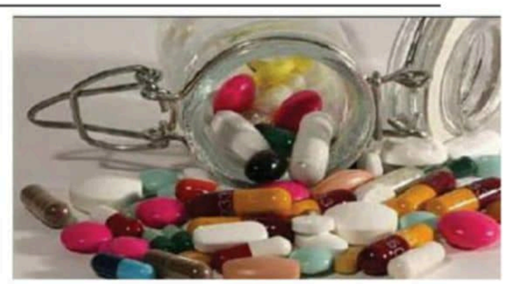
Bonus Share Announced by Garment Mantra Ltd; Do You Hold It?

Garment Mantra Ltd in their meeting held on July 8, 2024, the Board of Directors approved several key decisions, including approval to issue bonus shares from free reserves and Securities Premium accounts. The Board has sanctioned the issuance of Bonus shares to existing equity shareholders in a 1:1 ratio (one bonus share for every one equity share of nominal value ₹1/- each), pending shareholder and regulatory approval.

Earlier in the year Garment Mantra Group strategically joined hands with reputed business houses of the Surat to efficiently cover big customers and the commission agents from the western, northern and central regions of the country. Business houses with whom, we as a group accompanying have been in the textile business for decades and carry a good set of wholesale customers in their bouquet. This strategic tie-up will be beneficial for both sides as we will bet on our core strength i.e. production and supply chain and the other parties will take care of Sales and Marketing.

As per the Quarterly Results, in the fourth quarter of FY24, Garment Mantra Ltd recorded a revenue of ₹70.33 crore. The operating profit for Q4 FY24 stood at ₹2.27 crore. The net profit for Q4 FY24 was ₹0.37 crore. Looking at the annual performance, the company generated a revenue of ₹164 crore in FY24, compared to ₹172 crore in FY23. The operating profit for FY24 was ₹8 crore, with a net profit of ₹2 crore. The company's current market capitalisation stands at ₹66.76 crore. The stock has delivered a return of around 32 per cent in just one year.

This Pharma Company Stock is up by 17 per cent since Last Fortnight



Alembic Pharmaceuticals experienced a notable surge in its stock price, closing at ₹984.95 on the BSE on July 8, 2024, delivering a strong 17% return over the past couple of weeks. This growth is largely attributed to the company securing 11 USFDA product approvals (both final and tentative) during the quarter ending June 30, 2024. Additionally, in July 2024, it received final approval from the USFDA for Bromfenac Ophthalmic Solution, 0.07 per cent. The company now has a total of 207 ANDA approvals from the USFDA, with 180 final and 27 tentative.

Alembic Pharmaceuticals is a diversified pharmaceutical company with a significant footprint in India, the U.S., and various other regulated and emerging markets. The company, headquartered in Vadodara, India, produces formulations and active pharmaceutical ingredients (APIs) at its USFDA-approved facilities, catering to both regulated and pharmerging markets. Alembic holds a strong position in the domestic market, with a portfolio exceeding 190 brands. The company operates nine manufacturing facilities. Its revenue is composed of 80% from formulations and 20 per cent from API's.

The Yamuna Syndicate Limited (TYSL) Becomes India's Second Most Expensive Stock

Incorporated in 1954, The Yamuna Syndicate Limited (TYSL) is a key holding company with a 45 per cent stake in ISGEC Heavy Engineering Limited (IHEL), the flagship company of the ISGEC Group. TYSL is also engaged in the trading and retailing of various products. This includes retailing HPCL's petroleum products, industrial and automotive lubricants, Amaron batteries, agricultural tools and pesticides, and electrical equipment.

The oil and lubricants segment is the major contributor, accounting for approximately 47 per cent of FY2023 trading revenues and 48 per cent of FY2022 trading revenues. While the trading business dominates the company's revenue mix (91 per cent in FY2023 and 95 per cent in FY2022), it contributes minimally to profits, making the company's profitability highly dependent on dividends from IHEL. On July 8, 2024, the stock hit an upper circuit of 10 per cent, with a provisional closing at ₹62,555 per share on the BSE. With this move, TYSL has become the second costliest share in the Indian markets, trailing only MRF. TYSL surpassed Honeywell Automation, which previously held the position as the second costliest share in the Indian market.

In 2024, the stock has gained an impressive 152 per cent as a result, the stock has turned out to be a multibagger. It is currently trading at a low PE ratio of 15.5, with a promoter holding of 74.87 per cent, according to the shareholding pattern for the quarter ended March 2024.

PSU Railway Company with ₹4,700 Crore Order Book Announces Stock Dividend

RailTel Corporation of India Ltd was incorporated in 2000 to create nationwide broadband and VPN services, a telecom and multimedia network, and modernize the train control operation and safety system of Indian Railways. It is a "Miniratna" PSE of the Government of India. Currently, RailTel's network passes through approximately 6,000 stations across the country, covering all major commercial centres.

In its latest announcement, RailTel's Board of Directors, in their meeting on July 8, 2024, recommended a final dividend of 18.5 per cent of the paid-up share capital (₹1.85/- per share) for the FY24. This Final Dividend supplements the Interim Dividend of ₹1/- per share already distributed by the company for the same fiscal year. The company's current market capitalisation stands at ₹17,167 crore. The stock has delivered a return of over 300 per cent in just 1 year.

As per the Quarterly Results, in the fourth quarter of FY24, RailTel Corporation of India Ltd recorded a revenue of ₹833 crore. The operating profit for Q4 FY24 stood at ₹117 crore. The net profit for Q4 FY24 was ₹78 crore. Looking at the annual performance, the company generated a revenue of ₹2,568 crore in FY24, compared to ₹1,947 crore in FY23. The operating profit for FY24 was ₹464 crore, with a net profit of ₹246 crore.

Shares of Magellanic Cloud Ltd Surges After Key Approval for Agri-Drones

Magellanic Cloud Ltd saw its shares rise by 7 per cent on Monday, July 8, 2024, following a significant approval for its subsidiary company, Scandron. The approval, granted for Scandron's small category agri-drones, marks a pivotal milestone in the company's mission to revolutionise the Indian agricultural sector with cutting-edge drone solutions.

The certification underscores Magellanic Cloud's commitment to leveraging advanced technology to enhance agricultural productivity and efficiency. By introducing state-of-the-art drones, the company aims to provide Indian farmers with innovative tools to boost crop yields, optimize resource use, and reduce labour costs. This ensures a steady supply of high-quality drones specifically tailored to the needs of Indian farmers, fostering self-reliance in critical technology sectors. The local manufacturing of these drones aligns with national goals of promoting indigenous industries and reducing dependency on foreign technology. As the company continues to develop and deploy advanced drone solutions, it stands poised to make a substantial impact on the agricultural landscape of India, paving the way for a more technologically empowered farming community.

Commodity Market Watch

Investors Await Supportive Data For Upcoming Trades

After the release of official jobs data, commodity markets are now looking for more data to confirm expectations for a September rate cut, starting with U.S. inflation figures. The U.S. CPI is expected to rise by 0.1 per cent after being unchanged in May, while the Core CPI is expected to remain steady at 0.2 per cent.

In the past fortnight, the dollar was strong above 105, supported by Fed Chair Jerome Powell's dovish comments and tensions in the Middle East. Powell acknowledged progress in reducing inflation but said more evidence is needed before lowering interest rates. An unexpected increase in U.S. job openings in May pushed the dollar to a two-month high of 106, but it fell to 104.88 after the jobs report showed a steady slowdown in the labour market.

The Bureau of Labor Statistics reported that the U.S. added 2,06,000 non-farm payroll jobs in June, higher than the estimated 1,90,000, but job growth for the prior two months was revised down by 1,11,000. The unemployment rate rose to 4.1 per cent, the highest since November 2021, and wage growth slowed to 3.9 per cent annually, the smallest increase in three years.

The report confirmed a moderation in the U.S. labour market and increased the chances of a September Fed rate cut. This pushed the S&P 500 and Dow Jones to record highs and COMEX Gold above USD 2,400 per ounce for the first time since early June. According to the CME's Fed Watch Tool, there is now a 72 per cent chance of a 25 basis point rate cut in September, up from 57.9 per cent a week ago. Silver also rallied by 6.5 per cent, following gains in gold and base metals.

MCX Gold (August) broke out of its 'Cup & Handle' chart pattern, indicating an upward trend. The RSI (14) is around 74.80, showing bullish dominance. The next resistance levels are at ₹73,550 and ₹74,000 per 10 grams.

> WTI Crude oil reached USD 84.52 per barrel, the highest since late April, due to a severe storm season, the largest inventory drawdown in over a year, and escalating geopolitical tensions. The Lebanese Hezbollah group launched over 200 rockets at Israeli military bases, further boosting oil prices.

Commodities	May 14, 2024	July 9, 2024	Gain/Loss (%)
MCX Cotton	56,740.00	58,050.00	2.31
MCX Copper	885.45	872.90	-1.42
MCX Lead	194.30	189.25	-2.60
MCX Gold	72,115	72,356	0.33
MCX Zinc	263.85	272.15	3.15
MCX Aluminium	232.04	233.20	0.50
MCX Silver	85,262.00	93,350.00	9.49
Brent Oil	$83.13	$85.27	2.57
Crude Oil	$78.89	$81.82	3.71

LME base metals closed higher last week, with copper gaining nearly 4 per cent, driven by optimism about a Fed rate cut despite concerns about China's economic recovery. WTI Crude oil reached USD 84.52 per barrel, the highest since late April, due to a severe storm season, the largest inventory drawdown in over a year, and escalating geopolitical tensions. The Lebanese Hezbollah group launched over 200 rockets at Israeli military bases, further boosting oil prices.

Markets are now awaiting more data to confirm the likelihood of a September rate cut, starting with U.S. inflation figures next week. A larger-than-expected increase in CPI could make investors reconsider the chances of a rate cut, while a negative surprise could increase market confidence. Fed Chair Powell's upcoming testimony will also be closely watched.

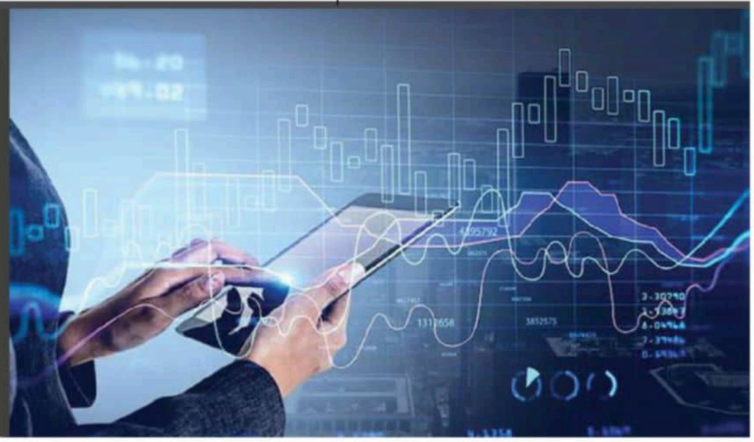
Additionally, China's CPI is expected to improve to 0.4 per cent in June, following stagnant growth of 0.3 per cent in April and May, and PPI deflation is projected to narrow to 0.8 per cent. Meeting these estimates would suggest an improvement in domestic demand.

Farmers across India have sown Kharif crops over 37.9 million hectares as of July 8, an increase of 14 per cent compared to the same time last year, according to the farm ministry. The sowing season for Kharif crops has started strong thanks to improved southwest monsoon rainfall following a slow start. The above-normal rainfall this season has significantly boosted the acreage of key crops like paddy, pulses, and oilseeds compared to the previous year.

Global Market Watch

Range-Bound Trading Observed By Global Equities

Despite a holiday-shortened trading session, major global equity markets absorbed a lot of economic data indicating that the U.S. economy is slowing down from its strong post-pandemic growth, while inflation also seems to be cooling gradually.



In the past fortnight, the S&P 500 Index continued to hit record highs, though the market's gains were narrow. Growth stocks outperformed value stocks by 4.15 percentage points, while small- and mid-cap stocks saw losses. In the first trading week of July, the Nasdaq Composite, heavy on technology, ended the week 73.71 per cent above its lows since the market began rebounding in mid-to late-2022. The Dow Jones Industrial Average which is more focused on value, gained 32.79 per cent in the same period.

Two important indicators of U.S. economic growth are the ISM reports on manufacturing and services. Both showed contraction in June, with the manufacturing sector struggling for 19 of the last 20 months. Initially, consumers spent more on goods during and after the pandemic, but have since shifted their spending to services like travel and hospitality. The U.S. services sector, a major economic driver contributing over 70 per cent of GDP, showed some signs of slowing down. A positive aspect of a slowing U.S. economy and labour market is the potential for reduced inflation. Recent data suggests that inflation might ease. Both the ISM manufacturing and services reports showed declines in the prices paid indexes, which predict inflation for goods and services. Additionally, wage growth in the nonfarm jobs report slowed from 4.1 per cent to 3.9 per cent year-over-year, indicating possible lower services inflation. The upcoming consumer price index (CPI) inflation report will be closely watched for further signs of declining inflation.

In Europe, the STOXX Europe 600 Index rose 1.01 per cent in local currency terms in the past fortnight. Political stability improved as the far right in France didn't secure a majority in the legislative elections, and the Labour Party won the UK general election on July 4 with a large majority. Major stock indexes also rose, with France's CAC 40 up 2.62 per cent, Germany's DAX up 1.32 per cent, and Italy's FTSE MIB up 2.51 per cent. The UK's FTSE 100 added 0.49 per cent.

> Political stability improved as the far right in France didn't secure a majority in the legislative elections. In the UK, Sir Keir Starmer's Labour Party won the general election, ending 14 years of Conservative rule. Rachel Reeves will be the first female Chancellor of the Exchequer (finance minister).

GLOBAL INDICES

Indices	May 28, 2024	July 9, 2024	Gain / Loss (%)
S&P 500	5,304.72	5,572.85	5.1%
Dow Jones Ind	39,069.59	39,344.79	0.7%
Nasdaq Composite	16,920.80	18,403.74	8.8%
FTSE 100	8,305.52	8,193.70	-1.3%
DAX	18,826.49	18,380.90	-2.4%
CAC 40	8,111.11	7,627.45	-6.0%
Hang Seng	18,821.16	17,534.54	-6.8%
Nikkei	38,855.37	41,580.17	7.0%
Shanghai	3,109.57	2,959.37	-4.8%
S&P ASX 200	7,766.70	7,829.70	0.8%

In the UK, Sir Keir Starmer's Labour Party won the general election, ending 14 years of Conservative rule. Rachel Reeves will be the first female Chancellor of the Exchequer (finance minister). Germany's manufacturing base weakened in May, with orders falling 1.6 per cent and industrial production contracting 2.5 per cent. France's industrial output also declined by 2.1 per cent.

Japan's stock markets gained in the past fortnight, with the Nikkei 225 Index up 3.36 per cent and the TOPIX Index rising 2.65 per cent in local currency terms, both reaching all-time highs. This was partly due to a weaker yen, which benefits export-focused industries. However, the yen strengthened later in the week. Japan's 10-year bond yields climbed to about 1.1 per cent, the highest since 2011, before easing later in the week along with U.S. Treasury yields.

Chinese equities fell as weak manufacturing data raised concerns about the slowing economy. The Shanghai Composite Index and the CSI 300 both saw modest losses, while Hong Kong's Hang Seng Index gained 0.46 per cent during the holiday-shortened trading week.

QueryBoard

Investment Horizon
Query-Specific

TITAGARH RAIL SYSTEMS LTD.

Titagarh Rail Systems Ltd.'s stock is up by 184 per cent since I bought it. Should I hold or sell?

– Ajay Singh

HOLD

BSE/NSE Code	532966 / TITAGARH
Face Value	₹2
CMP	₹1,780.30
52-Week	High ₹1,896.50 / Low ₹481.85
Your Current Profit/(Loss)	--

Titagarh Rail Systems Ltd. (TRSL), founded in 1997 (formerly Titagarh Wagons Limited), is a leading Indian manufacturer of railway equipment catering to both domestic and international markets. As regards the financials, TRSL has a market capitalisation of over ₹24,000 crore and as of March 31, 2024 its order book was at ₹14,750 crore. In its quarterly results (Q4FY24) and annual results, the company reported positive numbers with median sales growth at 22 per cent in the last 10 years. The company achieved its highest-ever quarterly revenue of over ₹1,000 crore in Q4 and produced around 2,700 wagons in the same period.

It is expecting to ramp up production to 950-1,000 margins per month in the coming quarters. Recently, two foreign institutional investors, namely, Blackrock Global Funds and BNP Paribas Financial Markets, bought 2,173,181 and 520,294 shares, respectively, via block deals. The company's strong financials, robust order book and positive developments like the production of traction motors along with capacity expansion for metro coaches and involvement in Vande Bharat trains spell good future potential. We are optimistic about the rail industry's growth, expecting sustained demand and government support. Hence, we recommend **HOLD**.

LANCER CONTAINER LINES LTD.

Do you recommend buying Lancer Containers Lines' stock as a long-term investment?

- D James

AVOID

BSE / NSE Code	539841 / LANCER
Face Value	₹5
CMP	₹51.17
52-Week	High ₹110.00 / Low ₹44.36
Your Current Profit/(Loss)	--

Lancer Containers Lines Ltd., founded in 2011, is a major player in India's shipping and logistics industry. The company functions as a non-vessel operating common carrier (NVOCC) and has a market capitalisation of over ₹1,000 crore with a current debt of ₹112 crore. In FY24, the company reported consistent quarterly net sales of over ₹150 crore with net profit ranging between ₹14 crore and ₹16 crore per quarter. However, for the full fiscal year FY24, its net sales declined by 24.4 per cent to ₹633 crore, while the net profit increased by 7.4 per cent to ₹58 crore as compared to FY23.

Despite appearing undervalued on some metrics, the company's financial health raises significant concerns. Its debt has skyrocketed from ₹4.09 crore to a substantial ₹93.7 crore, which could limit its ability to manoeuvre financially (leverage) and potentially lead to insolvency. While the company plans strategic investments in areas like fleet and infrastructure to capitalise on the growing global trade, these improvements require significant upfront costs that may strain resources and not provide immediate returns. Additionally, ongoing insider selling by company leaders (promoters) is another red flag. Overall, the company's weak financials and concerning debt situation warrant caution. Hence, we recommend **AVOID**.

Readers are requested to send only one query at a time so that more readers get a chance. For complaints regarding non-receipt of dividend, bonus, rights and other matters, investors may write to www.investor.sebi.gov.in

Company Name: ____________________

Query: ____________________

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Name: ____________________

Address: ____________________

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Email:editorial@dsij.in

ZOMATO LTD.

I have bought 2,033 shares of Zomato Ltd. at ₹103.4 per share. Should I continue to hold or sell?
– Nilesh Patel

HOLD

BSE/NSE Code	543320 / ZOMATO
Face Value	₹1
CMP	₹208.30
52-Week	High ₹213.80 / Low ₹73.05
Your Current Profit/(Loss)	101.59 per cent

Zomato Ltd., founded in 2010, is a leading online food service platform that connects users with restaurants through food delivery, dining-out services and loyalty programmes. As of December 2020, Zomato boasted a presence in 23 countries with over 131,000 active delivery restaurants, 161,000 delivery partners and an average of 10.7 million monthly food orders. The company also owns subsidiary brands like Hyperpure (B2B supplies for restaurants), Blinkit (for quick commerce) and Feeding India (non-profit). Zomato, despite high valuation with a market capitalisation of ₹1.80 lakh crore, a PE of 513 times and low profitability metrics of 2 per cent ROE and ROCE, has shown significant financial improvement.

Its quarterly net sales jumped 73.3 per cent to ₹3,562 crore in Q4FY24, turning a net loss of ₹188 crore in Q4FY23 into a net profit of ₹175 crore. Following this trend, the annual net sales increased 71.1 per cent to ₹12,114 crore in FY24 compared to FY23, with a net profit of ₹351 crore, a major improvement from the net loss of ₹970 crore in FY23. Zomato recently revealed ambitious plans for Blinkit, the quick commerce subsidiary. Blinkit aims to nearly double its store network within a year, reaching 1,000 stores and is confident in finding real estate and innovating store formats.

It plans to gain market share through quality service rather than discounts with a focus on both expanding in leading cities where it already dominates and entering new markets to grow the overall quick commerce sector. Employee costs have been optimised and advertising revenue is expected to keep growing as a key driver of unit economics. Overall, Zomato's financial strength and Blinkit's aggressive expansion positions it for continued growth, with Blinkit being a key driver for Zomato's future success. This strategy aims to solidify the company's lead in major cities and capture market share in under-penetrated areas. Hence, we recommend **HOLD**.

NBCC (INDIA) LIMITED

Considering a 3-5-year investment horizon, how do you see NBCC India performing? Would it be a good buy?
- Girish Nakod

BUY

BSE/NSE Code	534309 / NBCC
Face Value	₹1
CMP	₹169.00
52-Week	High ₹176.50 / Low ₹39.00
Your Current Profit/(Loss)	--

NBCC (India) Limited, a government-owned construction leader under India's Ministry of Housing and Urban Affairs, tackles diverse projects across three main areas: a) project management consultancy (PMC) for civil construction ventures like buildings, hospitals and government redevelopments, b) engineering procurement and construction (EPC) for complex projects like chimneys and power plants, handling everything from concept to handover, and c) real estate development encompassing both residential (apartments, townships) and commercial (offices, malls) construction. NBCC, a company with a market capitalisation exceeding ₹28,000 crore and an order book of ₹70,000 crore as of March 2024, has started FY25 on a strong note by securing new orders worth over ₹1,400 crore in Q1.

Looking back at the previous fiscal year, its financial performance shows steady growth. The net sales climbed by 43 per cent to ₹4,024.50 crore and net profit rose by 24 per cent to ₹141.43 crore in Q4FY24 as compared to Q4FY23. Similarly, for the entire H2FY24, net sales and net profit increased by 31 per cent to ₹6,437.11 crore and 38 per cent to ₹255.03 crore, respectively, as against H2FY23. The FY24 results were even more impressive, with a 17.5 per cent rise in net sales to ₹10,432.64 crore and a significant 49.5 per cent jump in net profit to ₹414.27 crore as compared to FY23.

Furthermore, LIC holds a 6.55 per cent stake in the company as of March 2024, and the stock has delivered phenomenal multibagger returns exceeding 300 per cent in just a year. NBCC (India)'s future is promising due to several growth triggers, including a potential BHEL land redevelopment order, progressing international projects in Maldives and Mauritius, and exploring new ventures in Dubai, Africa and Arabian countries. The company is aiming for an ambitious top-line of ₹12,500 crore to ₹13,000 crore in the next financial year, with healthy EBITDA and PAT margins. Hence, we recommend **BUY**.

MAZAGON DOCK SHIPBUILDERS LTD.

With Mazagon Dock Shipbuilders Ltd. having been bestowed with the Navratna status recently and the stock nearing its 52-week high, would it be a good buy at the current price? - **Aditya Sawant**

BUY

BSE/NSE Code	543237 / MAZDOCK
Face Value	₹10
CMP	₹4,686.25
52-Week	High ₹4,585.00 / Low ₹1,262.65
Your Current Profit/(Loss)	--

Established in 1774, Mazagon Dock Shipbuilders Limited (MDL) in Mumbai has grown from a small dry dock into a renowned shipbuilding and Navratna status company, constructing over 800 vessels since 1960. These include warships, submarines, cargo ships, passenger ships and offshore platforms, making it a key contributor to India's shipbuilding industry, especially the defence sector. The company has a market capitalisation of over ₹80,000 crore with a strong order book worth ₹38,561 crore. According to its quarterly results, the net sales increased by 49.3 per cent to ₹3,103.7 crore and net profit increased by 111.2 per cent to ₹626.9 crore in Q4FY24 over Q4FY23.

Its annual results show that net sales increased by 21 per cent to ₹9,466.6 crore and net profit increased by 73 per cent to ₹1,809 crore in FY24 over FY23. While future projects and revenue growth look promising for Mazagon Dock Shipbuilders, there are uncertainties regarding project timelines, competition and government budget allocations. To navigate these uncertainties, the company is focusing on improving operational efficiency, expanding its capacity to handle larger projects and maintaining strong cash flow to ensure financial stability.

The president of India is the only promoter in the company, holding an 84.83 per cent stake in the company, while as of March 2024 the FIIs decreased their stake to 2.38 per cent and DIIs increased their stake to 0.66 per cent as compared to March 2023. The company plans significant investments of ₹2,500-3,000 crore over the next few years to expand shipbuilding and ship repair capabilities for this the company and has acquired 15 acres of land. This suggests an ambitious growth strategy. However, its current margins are impacted by liquidated damages of around ₹300 crore for delayed submarine deliveries. Future revenue depends on completing the existing projects (frigates, destroyers and submarines) and securing new ones (next-generation destroyers, follow-on frigates, P 75I submarines). Hence, we recommend **BUY**.

S & S POWER SWITCHGEAR LIMITED

I have bought shares of S & S Power Switchgear at ₹322 each. Do you think the stock price will rise to ₹400 after the company's recent corporate restructuring? - **Raj Agarwal**

SELL

BSE/NSE Code	517273 / S&SPOWER
Face Value	₹10
CMP	₹266.20
52-Week	High ₹344.65 / Low ₹58.14
Your Current Profit/(Loss)	(17.32 per cent)

Founded in 1975, S & S Power Switchgear is a major force in supplying electrical solutions for power transmission and distribution. They design, manufacture, and service switchgear, protection and control systems and a range of associated equipment. Their reach extends beyond India, targeting emerging markets, developing economies and the UK. S & S Power Switchgear caters to various industries including power grids, railways and manufacturing. Their product portfolio includes disconnectors, vacuum circuit breakers, and control and relay panels. Additionally, they offer services like retrofits, refurbishments and modernisation of high-voltage substations. The company has a market cap of over ₹160 crore.

In May 2024, the promoters of the company bought a 24.85 per cent stake in the company and increased their stake to 74.97 per cent as compared to 50.12 per cent in March 2024. According to its quarterly results, the net sales decreased by 7.1 per cent to ₹ 43.10 crore while net profit increased by 2.2 per cent to ₹0.97 crore in Q4FY24 as compared to Q4FY23. Its annual results reveals that the net sales increased by 14.2 per cent to ₹159.38 crore and net profit increased by 105.4 per cent to ₹4.32 crore in FY24 as compared to FY23. The shares of the company have a negative PE multiple and ROE.

The stock is over 300 per cent in just one year and a whopping 1,000 per cent in three years. The company's financial health is poor and recent stock price movements suggest manipulation. A quick turnaround is unlikely, and you should wait for more information. We have to monitor the company's financial performance, especially after restructuring, and seek independent verification of the Hamilton Research Partnership. Investing in S & S Power Switchgear now carries significant risk due to a lack of clarity and potential manipulation in the stock price. Hence, we recommend **SELL**.

(Closing price as of July 03, 2024)

Reviews

In this edition, we have reviewed **Welspun Corp Ltd.** and **Tata Power Company Ltd.**. We suggest our reader-investors to **HOLD** Welspun Corp Ltd. and Tata Power Company Ltd.

Welspun Corp Ltd.	HOLD	Change 18.21 Per Cent ↑	CMP - ₹615.90
BSE CODE 532144	Reco. Price ₹521	Face Value ₹5	

We had recommended Welspun Corp Ltd. in Volume 38, Issue No. 26 dated November 20, 2023 — December 3, 2023, under the 'Choice Scrip' segment. The recommended price for the stock was ₹521. We had recommended the stock based on a confirmed order book, planned capital expenditure and focus on pipeline projects. Welspun Corp Ltd. (WCL), the flagship company of Welspun Group, is a leading global manufacturer of welded line pipes. In 2008, it was ranked as the second-largest pipe producer by Financial Times UK and 'The Emerging Company of the Year' by Economic Times.

WCL is known for its engineering excellence and has supplied some of the world's most critical pipelines, including the deepest, highest, longest and heaviest projects. The company also provides coating, bending and double-jointing facilities. In Q4FY24, on a consolidated basis, its revenue increased by 9.61 per cent YoY to ₹4,461.17 crore compared to ₹4,070.15 crore from the previous year's same quarter. On a sequential basis, the revenue decreased by 6.07 per cent. The PBIDT excluding other income decreased by 21.5 per cent to ₹330.15 crore YoY as compared to ₹420.55 crore from the previous year's same quarter, while sequentially decreasing by 28.69 per cent.

The net profit stood at ₹191.5 crore compared to ₹211.5 crore, a YoY decrease of 9.46 per cent, while sequentially decreasing by 20.34 per cent from ₹240.4 crore. At TTM, the shares of Welspun Corp are trading at a PE of 14.1 times, which is lower than its three-year median PE of 16.4 times, whereas the industry PE stands at 19.9 times. If we look at its PBV, it is currently at 2.74 times, which is higher than the industry PBV of 2.65 times. The company has a three-year average return on equity (ROE) of 12.2 per cent and a return on capital employed (ROCE) of 13.7 per cent.

India's oil and gas business is experiencing steady demand, with an expected 10,000 km gas grid pipeline installation in the next 2-3 years. The water sector is also experiencing growth, driven by irrigation and potable water projects. The US market is focusing on pipeline projects in the Permian Basin. Saudi Arabia operations have had a confirmed order book for over two years. The company's FY25 guidance appears flat due to a cautious approach. A capex of ₹2,300 crore is planned for the next two years, with a significant portion allocated to expanding DI pipe capacity and investing in plastic pipes. Hence, we recommend **HOLD**.

Tata Power Company Ltd.	HOLD	Change 30.09 Per Cent ↑	CMP - ₹439.80
BSE CODE 500400	Reco. Price ₹338.05	Face Value ₹1	

We had recommended Tata Power Company Ltd. in Volume 38, Issue No. 26 dated December 18, 2023 — December 31, 2023, under the 'Choice Scrip' segment. The recommended price for the stock was ₹338.05. We had recommended the stock based on its focus on renewable projects, increasing power demand and selective bidding in transmission projects. Tata Power Company Limited is a public limited company in India, listed on the BSE and NSE. It is a pioneer in the energy sector, focusing on technology, processes and platforms.

Tata Power offers products and services in renewable energy, conventional generation, transmission, distribution and next-generation power solutions, trading and services business. In Q4FY24, on a consolidated basis, its revenue increased by 27.24 per cent YoY to ₹15,846.58 crore compared to ₹12,453.76 crore from the previous year's same quarter. On a sequential basis, the revenue increased by 8.16 per cent. The PBIDT excluding other income increased by 22.96 per cent to ₹2,741.12 crore YoY as compared to ₹2,229.28 crore from the previous year's same quarter, while sequentially increasing by 5.14 per cent.

Its net profit stood at ₹729.23 crore compared to ₹759.7 crore, a YoY decrease of 4.01 per cent, while sequentially decreasing by 10.75 per cent from ₹817.1 crore. At TTM, the shares of Tata Power are trading at a PE of 40.6 times, which is higher than its three-year median PE of 31.2 times, whereas the industry PE stands at 40 times. If we look at its PBV, it is currently at 4.32 times, which is higher than the industry PBV of 2.69 times. The company has a three-year average return on equity (ROE) of 11.2 per cent and a return on capital employed (ROCE) of 10.7 per cent. The power demand in India grew by 8 per cent last year, with a 10.5 per cent increase in the last two months.

The company expects peak demand to reach 260 gigawatts and plans to implement nearly 4 gigawatt projects in FY'25. It has indicated a strong performance in the rooftop business and is actively involved in the PM Surya Ghar Yojana programme for rooftop solar power. It is also leading in the EV business with 86,000 home chargers and is focused on supporting government and OEM e-mobility initiatives. The company's financial performance has improved with an 18th consecutive quarter of profit growth and improved credit rating to AA+. Its future plans include doubling revenue, EBITDA and profit by FY27, focusing on renewable projects and selective bidding in transmission projects. Hence, we recommend **HOLD**.

(Closing price as of June 05, 2024)

Kerbside

The recommendations provided in this column are taken from various market sources such as brokers, analysts, dealers and investment strategists, etc. These recommendations may not be backed by strong fundamentals. Therefore we advise readers to use their own discretion before investing in these recommendation

FOR SUSTAINABLE GROWTH

Servotech Power System
NSE Code: SERVOTECH
CMP: ₹97.99

Gossip enthusiasts! Servotech Power System Limited has experienced an upward rally over the past month, and rumours on Dalal Street suggest that this rally is likely to continue. Furthermore, the company made headlines for its collaboration with the National Solar Energy Federation of India (NSEFI). Together, they inaugurated Delhi's first grid-connected Solar-Powered EV Charging Carport. This pilot project, located at the Hauz Khas Village parking station, represents a significant step forward in sustainable energy and electric vehicle infrastructure. Keep an eye on this buzzing stock!

HIGH-FLYING RETURNS

Interglobe Aviation
BSE Code: 539448
CMP: ₹4,302.65

Interglobe Aviation Limited, widely recognised as Indigo, stands as India's largest passenger airline, operating on a low-cost carrier model. The word on D-street suggests: Southeast Airlines has appointed Rakesh Gangwal, a veteran of the airline industry, to its board. This move comes as the U.S. budget carrier faces increasing pressure from activist Elliott to take defensive measures. Gangwal, who co-founded Indigo, has also served on the board of US Airways Group. Elliott is known for advocating for increased shareholder returns. Investors to keep an eye on this stock!

STITCHING PROFITS

Vishal Fabrics Ltd
BSE Code: 538598
CMP: ₹25.00

This stock priced below ₹50 has been turning heads lately! This hidden gem has rallied over 26 per cent in the past one month. Vishal Fabrics Limited manufactures and sells a variety of textile products including dyed yarn, and denim fabrics, and provides job work for textile products. Sources indicate that the upcoming budget may include significant announcements for the textile sector, which could boost the price of textile stocks. If you don't want to miss out on this trending stock, then hop on the bandwagon, as Vishal Fabrics is well-positioned for its rapid ascent in the coming times.

SOLID INVESTMENT CHOICE

Tata Steel Ltd
BSE Code: 500470
CMP: ₹171.80

The flagship company: Tata Steel has reported its production and delivery volumes. India's crude steel production reached 5.25 million tons, marking a 5 per cent year-over-year increase. However, production was lower compared to the previous quarter due to planned maintenance shutdowns. Here is the scoop: India deliveries were at 4.94 million tons, achieving the 'best ever first quarter' sales. Deliveries increased by 3 per cent YoY basis, driven by a rise in domestic deliveries. Investors to keep a tab on this trending stock!

(Closing price as of July 09, 2024)

MUTUAL FUND UNLOCKED

DALAL STREET INVESTMENT JOURNAL

DEMOCRATIZING WEALTH CREATION

JULY 15 - 28, 2024 ■ Pages 68 ■ www.dsij.in ₹150

Special Report
Front-Running in MFs

Cover Story
Dealing with Loss-Making SIPs

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Vol. 39 No. 17

US $ 10.15 UK £ 5.05 Sing $ 10.60 Euro € 6.13

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How Informative is Information Ratio?

Equity indices in India have been reaching new all-time highs regularly over the past few weeks. One reason for this performance is the strong support from domestic institutions, especially mutual funds. The latest data for June mutual funds shows that net inflows into equity mutual funds surged 17 per cent sequentially to a record high of ₹40,608 crore, bolstered by an inflow of ₹14,370 crore from 11 new equity fund offerings.

Additionally, gross inflows from systematic investment plans reached a new high of ₹21,262 crore, further boosting the net inflows. Investor trust in mutual funds has been driven by high-decibel promotions from the industry body and proactive regulations. To enhance decision-making for investors, on June 28, the Securities and Exchange Board of India proposed a new measure to improve transparency in mutual fund performance: the mandatory disclosure of risk-adjusted returns using the information ratio (IR).

This aims to provide investors with a clearer picture of fund performance. IR essentially tells you how much excess return (return above the benchmark) you are getting relative to the amount of risk you are taking. The key question is whether this new metric will genuinely help investors make better-informed decisions or complicate the landscape further. The IR varies over time and across different fund categories and so its effectiveness as a performance measure for mutual fund managers is still not very clear.

Because the IR encourages managers to closely follow the benchmark, it should be supplemented with measures like 'active share' to control the portfolio's activity level. Lastly, a long-term track record is essential to distinguish skilled managers from lucky ones, as luck is generally not persistent over time. Therefore, I believe that it is a step in the right direction but needs to be supplemented with other metrics to make it more informative for investors.

Shashikant

Shashikant Singh
Executive Editor

Multi-cap funds for Conservative Investor

With multi-cap funds gaining popularity in India, how should a conservative investor like me approach this investment avenue?

- Avinash Juneja

Editor Responds : Multi-cap funds are gaining popularity in India and for good reason. They offer the potential for growth and diversification by allowing investment across large, mid, and small-cap companies. However, for a conservative investor like yourself, there are some important things to consider before diving in.

The inherent risk of multi-cap funds is a key factor. Because they invest in mid and small-cap stocks, they are more susceptible to market volatility. These segments can experience larger price swings compared to large-cap companies. To mitigate this risk, a long-term investment horizon (ideally 7-10 years or more) is crucial. This allows the market to even out fluctuations and potentially lead to better returns in the long run.

Recent trends show that multi-cap funds have performed well. However, remember that past performance is not a guarantee of future results. The Indian stock market, like any market, experiences ups and downs. Be prepared for potential volatility.

Content

Dealing with Loss-Making SIPs

Despite diligently investing in mutual funds via regular SIPs with honesty and consistency, investors may still encounter negative returns. In such situations, it's crucial for investors to understand the underlying factors leading to negative returns and take necessary steps. **Rakesh Deshmukh** takes a closer look at this scenario

Have you ever experienced buying a product, such as an electronic gadget or a mobile phone, for around ₹50,000, only to find it later available at a discounted price of, say, ₹45,000? It's a common occurrence where items purchased at one price are subsequently found at lower prices. Similarly, in the world of financial markets, you might plan to purchase shares of your favourite company, monitoring them closely for a month before buying. However, sometimes after your purchase, the share price drops below your purchase price, resulting in the shares trading at a discounted price compared to what you paid.

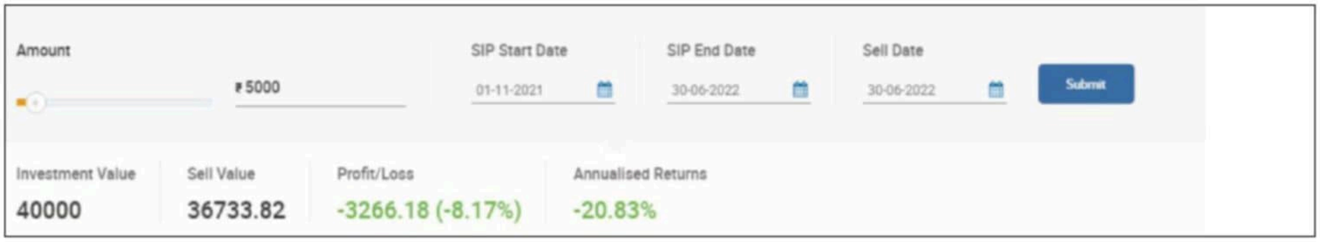
Furthermore, a similar situation may arise in your mutual fund investments. For instance, consider having a monthly SIP of ₹5,000 that you started a year ago. Despite 12 months passing, you find that the investment is showing a negative return or that the current investment value has fallen below the total amount invested. When faced with such a scenario, it's important to pause and carefully consider your options. If you haven't encountered this situation yet, it's fortunate, but it's also an opportunity to educate yourself and prepare for what actions to take if it were to occur. Looking for a strategy directly is not suitable for everyone. Firstly, investors should understand the factors that affect their investments in market-linked instruments such as stocks or mutual funds.

Understanding the Factors Contributing to Losses in SIP Investments

Before finding any strategies for managing loss-making SIPs, it's essential to identify the factors that can contribute to losses in SIP investments. SIPs, by nature, involve periodic investments at different market levels, meaning that your investments are not timed to perfection. Various factors can lead to losses, including:

1) Market Trend — You have probably heard the phrase 'the trend is your friend' from many sources. If you started your SIP during a downtrend and that downtrend persisted for a prolonged period, or even if the market entered a consolidation phase thereafter, your SIP might not become profitable or could show negative returns on your investment. Check the current market trend – if it's falling, it's possible that your SIPs in mutual funds are showing negative returns or losses on investments.

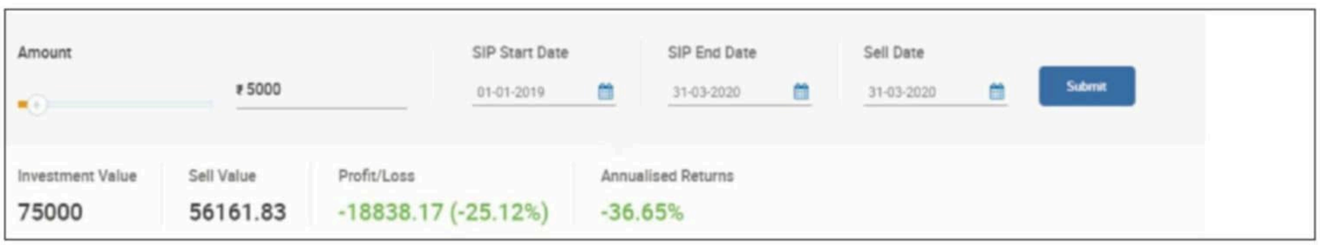
For example, if you had started an SIP of ₹5,000 in October 2021 when the market reached a peak, and by July 2022 it was in a consolidation phase, specifically forming lower lows, your investment value would have turned ₹36,733 over the 20-month period against an investment of ₹40,000, thus representing a loss of ₹3,266 or 8.17 per cent.



2) Asset Class Performance — The performance of the underlying asset classes within your mutual fund portfolio plays a crucial role in determining SIP returns. For instance, equity mutual funds invest primarily in stocks, which can experience periods of growth and decline. During a market downturn or bearish phase, the prices of stocks may decrease, impacting the overall performance of equity-oriented SIPs.

3) Economic Factors — Broader economic conditions, including factors such as GDP growth, inflation rates and geopolitical events, can significantly impact mutual fund performance. Economic recessions or downturns may adversely affect corporate profitability, leading to reduced earnings for companies in which mutual funds invest. Consequently, mutual fund returns may be negatively impacted during periods of economic uncertainty or contraction.

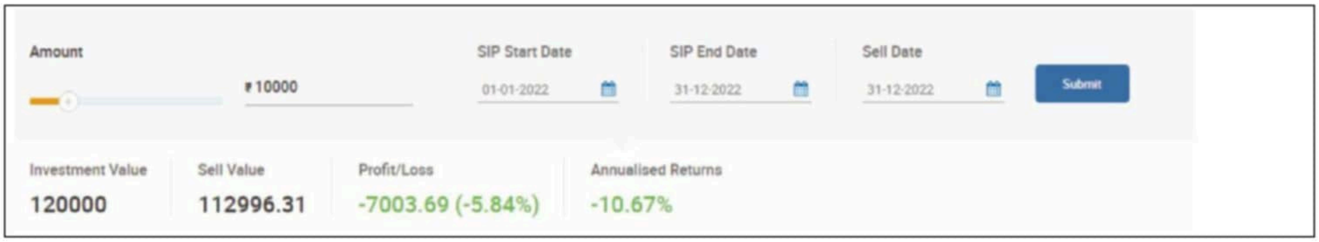
Let's say you started an SIP of ₹5,000 when the market was at a high during 2019, but suddenly the corona virus-triggered pandemic hit the world. Not only did the Indian economy contract, but the global economy also fell into recession, greatly impacting all the markets. Stock prices fell drastically, and eventually, the equity fund where you had started your SIP also experienced declines.



4) Fund-Specific Factors — Several factors specific to the mutual fund itself can influence SIP performance. The competence and strategy of the fund manager play a crucial role in navigating market conditions and achieving investment objectives. High fund management fees can erode returns over time, while changes in a fund's investment strategy or objective may alter its risk profile and potential returns.

5) Insufficient Diversification — Diversification is a fundamental principle in investment management aimed at reducing portfolio risk. SIP portfolios that lack diversification may be disproportionately exposed to risks associated with specific sectors, industries or asset classes. For instance, a portfolio heavily concentrated in technology stocks may experience significant losses during a downturn in the technology sector. Adequate diversification across various asset classes, industries and geographical regions can help mitigate risks and improve the resilience of SIP portfolios against market fluctuations.

For instance, an employee working in the IT sector, observing its growth and that of the IT industry, decides to invest all his savings in IT funds. He starts SIPs of ₹10,000 exclusively in an IT fund from the beginning of 2022. During this period, the IT industry experiences a downfall after reaching a peak point and even after one year of regular contribution it gives a negative return as presented below. Due to over-concentration in IT alone, the SIP portfolio turned negative. Furthermore, the IT sector has not yet crossed its previous peak level, unlike other sectors which are trading at their all-time highs.

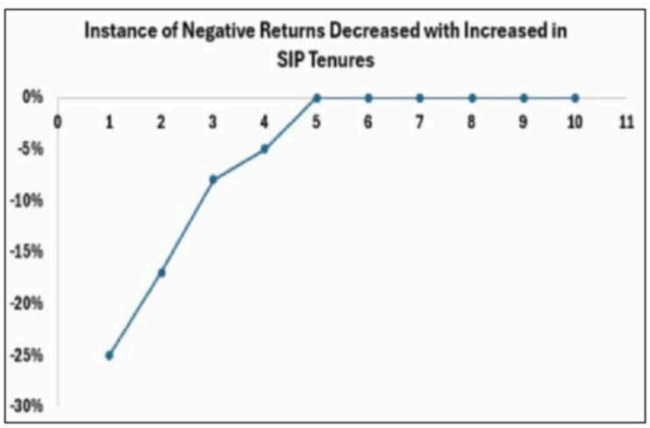


Dealing with Loss-Making SIPs

Here are strategies to manage loss-making SIPs effectively. Before delving into the strategy, one thing you must keep in mind is that the market is designed to move upwards rather than downwards. If it has recently fallen from its peak, it will surely recover after some time. Check the history of the Indian market – from 1,000 to 80,000, the Sensex has rallied since its inception with small ups and downs.

Period	Investment	Investment Value	Profit / Loss	% Gain or Loss	Annualised Return %
1st Year	1,20,000	1,12,996	-7,004	-5.84	10.67
2nd Year	2,40,000	2,90,660	50,660	21.11	19.71
Till Date	3,10,000	4,01,802	91,802	29.61	21.85

01) Evaluate Your Investment Horizon — First and foremost, it's crucial not to make hasty decisions based on temporary market movements. SIPs are designed for long-term investment, and short-term volatility is a natural part of the equity markets. Panicking and redeeming your investment hastily due to temporary losses can potentially lead to missing out on future gains when the market recovers. Patience is often rewarded in investing. As discussed earlier, diversification is a very important aspect in investing. Despite this, if the investor had continued with the SIP of ₹10,000 in IT funds until today, would his SIP portfolio still be negative? Let's identify its returns over the period.



Source: Crisil

Based on the above data, investors need to be patient and continue their investments without making decisions based on emotions, even when facing negative earnings in their SIP portfolio. Resist the temptation to halt your SIPs during periods of underperformance. Continuing with your SIPs allows you to benefit from rupee-cost averaging, where your investments purchase more units when the prices are lower, potentially reducing your average cost per unit over time.

As can be seen in the short term, SIPs may showcase negative returns or struggle to achieve better returns. However, over time, the impact of news or events becomes less significant in affecting the performance of your SIP portfolio. The investment horizon always has an impact on your SIP portfolio – longer the tenure the less will be the volatility.

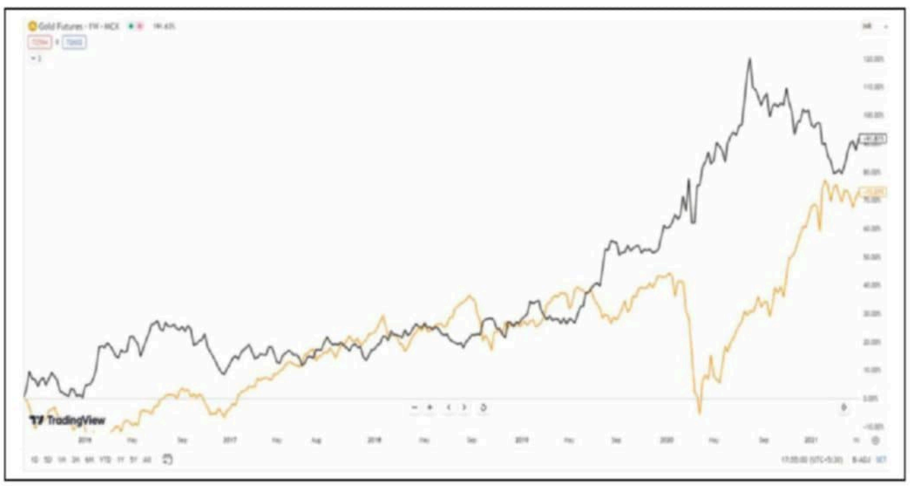
02) Assess Fund Performance — When your SIP shows negative returns, it's advisable to assess the performance of your fund relative to others in the same category. If most funds in the category are experiencing similar downward trends, it suggests that the negative performance may be due to broader market conditions rather than specific issues with your fund. Just relate to the above example of the IT fund scenario discussed in the diversification section. Furthermore, comparing your fund's performance across different categories can provide a broader perspective on market trends and help you evaluate whether your investment strategy remains aligned with the prevailing economic environment.

03) Align with Investment Goals — Confirm that your SIPs align with your investment goals and risk tolerance. Choose funds whose objectives and strategies match your financial objectives, whether they are for wealth accumulation, retirement planning or other goals.

04) Monitor Expenses — It's important to closely monitor the expenses linked to your mutual funds. High expense ratios can gradually erode your returns over time. Therefore, regularly review the fees and expenses you are paying. If you find that the fees are disproportionately high compared to the fund's performance and benchmarks, consider exploring alternatives with lower expenses. Switching to funds with lower expense ratios can potentially improve your overall returns, as more of your investment can be put to work for you rather than being consumed by fees. This proactive approach to managing expenses is a fundamental part of optimising your investment strategy and ensuring that your portfolio is efficient in generating returns.

05) Seek Professional Advice — If you have made decisions in the past that did not yield good results and still feel uncertain about managing your SIPs, seek advice from a financial advisor. An advisor can provide personalised guidance tailored to your financial situation and goals, helping you navigate market volatility effectively.

06) Review Asset Allocation — Revisiting your asset allocation strategy is crucial to ensure it aligns with your risk tolerance and financial objectives. Regularly assess and adjust your allocation to maintain a balanced portfolio that reflects your current financial circumstances and market conditions. Diversifying across different asset classes such as equity, commodity, debt and ETFs can help spread risk and optimise returns over time. When constructing your SIP portfolio, consider the various subcategories within each asset class. For example, within equity, you have large-cap, mid-cap and small-cap funds. Avoid over-concentration in any single fund type to mitigate the risk of adverse impacts on your SIP profitability.



Recall the pandemic when the equity markets were falling significantly. During that time, gold prices surged, as shown in the chart where the orange line represents Nifty, and the black line represents gold. If you had SIPs in any gold funds during the pandemic period, your portfolio might not have been as negatively impacted compared to a portfolio solely invested in equities. Alternatively, you may have even enjoyed positive returns during that market downturn. This example highlights the importance of asset allocation in constructing a robust portfolio.

07) Stay Informed and Review Portfolio Regularly — Stay informed about economic and market conditions that may impact your SIP investments. Being knowledgeable about current market trends and developments empowers you to make informed decisions. Additionally, conduct regular reviews of your portfolio to evaluate fund performance and the effectiveness of your overall investment strategy. Adjust your SIPs or portfolio allocation as necessary to maximise your investment outcomes over time.

08) Diversification — Diversification is a fundamental strategy for managing risk in investments. If your SIP is heavily concentrated in a particular sector or category that is experiencing losses, consider diversifying your portfolio across different sectors or asset classes. By spreading your investments, you can potentially mitigate risks associated with sector-specific downturns and improve the overall resilience of your portfolio.

09) Expect the Market to Recover over Time — As discussed, historical data demonstrates that financial markets generally recover over the long term, despite short-term fluctuations. A negative SIP today does not necessarily indicate a permanent loss. By staying patient and maintaining your investment discipline, you position yourself to potentially benefit from the eventual recovery and growth of the market.

10) Understand the Risk and Reward Balance — Investing in SIPs entails recognising the trade-off between risk and reward. Investments with higher return potential typically come with higher risks. Acknowledging this balance can help you maintain a rational perspective during market downturns and avoid making emotional decisions that could impact your long-term financial goals.

Conclusion

In conclusion, navigating through the ups and downs of SIP investments requires a balanced approach and a long-term perspective. Just as we sometimes see products bought at higher prices later available at discounts, SIP investments can also experience periods of negative returns due to market fluctuations, economic conditions, or fund-specific factors. Understanding these dynamics is crucial for investors aiming to manage their SIP portfolios effectively. The key strategies include maintaining patience during market downturns, evaluating fund performance against peers, and ensuring alignment with personal investment goals and risk tolerance.

Diversification across sectors and asset classes, regular portfolio reviews, and staying informed about market trends further bolster resilience against volatility. Ultimately, while short-term setbacks may occur, historical evidence demonstrates that markets tend to recover over time. By staying disciplined, informed and mindful of the risk-reward balance, investors can navigate through uncertainties and position themselves to capitalise on opportunities for long-term growth in their SIP investments.

Motilal Oswal Large and Midcap Fund - Direct Plan Growth

Equity: Large and Mid Cap
Scheme Category

27.78% p.a.
5-Year Median Rolling Returns (Since Inception)

4,293
AUM (₹ Cr.) May 31, 2024

32.51
NAV (₹) July 07, 2024

0.60%
Expense Ratio (%) May 31, 2024

NIFTY LARGE MIDCAP 250 TRI
Benchmark

1%, if redeemed within 15 days.
Exit Load

Rakesh Shetty, Niket Shah & Ajay Khandelwal
Fund Managers

Reason for recommendation

The current market conditions are such that there is momentum in every segment. Nonetheless, the large-cap has underperformed a bit in the broader market. Therefore, investing in a fund that invests in both large-cap which is likely to do better and mid-cap that is currently doing better makes sense. Hence, our choice for this issue is Motilal Oswal Large and Mid-Cap Fund. This mutual fund has been turning heads with its recent performance.

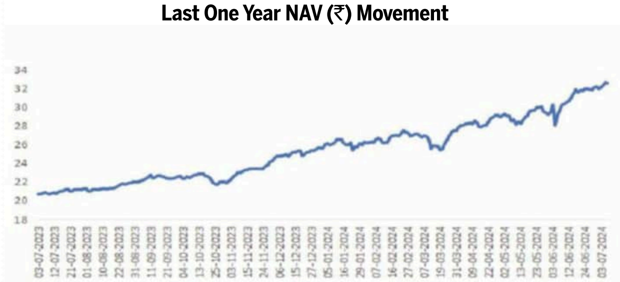
Looking at the past year, the fund has delivered a return of 57.93 per cent, outperforming the category average of 47.95 per cent. This trend of exceeding category benchmarks holds true for shorter timeframes as well, with the fund consistently surpassing the average over one month, three months and six months. Meanwhile, the three-year performance falls slightly behind the category.

The fund's strength lies not just in its returns, but also in its diversified holdings. Across sectors, the fund exhibits a balanced approach. The top three sectors – services, capital goods and financials – hold a significant portion of the portfolio at around 15-21 per cent, but no single sector dominates. This diversification helps spread risk and protects the fund from being overly reliant on the performance of any one industry. However, a closer look at the individual holdings reveals a potential concern. While the fund is diversified across sectors, it also has a few individual stocks with relatively high allocations. The top five holdings make up over 30 per cent of the portfolio, with companies like Zomato Ltd. and Trent Ltd. each exceeding 6 per cent allocation. This fund's recent performance and diversified sectoral holdings are certainly attractive. However, the concentration in a few individual stocks warrants caution. Hence, the fund is suitable for a high-risk investor with a longer investment horizon.

TOP 10 Holdings

COMPANY NAME	% TO NET ASSETS
Zomato Ltd	6.86
Trent Ltd.	6.24
Kalyan Jewellers India Ltd.	6.12
JIO Financial Services Ltd.	5.85
Prestige Estates Projects Ltd.	5.64
Indusind Bank Ltd.	4.43
Global Health Ltd.	4.13
CG Power and Industrial Solutions Ltd.	3.88
Interglobe Aviation Ltd.	3.75
The Phoenix Mills Ltd.	3.57

Last One Year NAV (₹) Movement



The NAV graph is for the period of trailing one year.

Monthly Returns

Umesh Rathi
Wealth Coach, Rathi Wealth Pvt. Ltd.

Plan For A Smooth Retirement Phase

Think of retirement and we conjure up images of a relaxed laid-back life, lots of travel, pursuit of hobbies, and a generally wonderful period to look forward to. However, all these activities cost money and one would no longer be earning a salary at that stage. Plus, thanks to inflation, monthly groceries, utilities and healthcare costs would be a lot more expensive then than they are today. However, the good news here is that you can build a substantial corpus for a financially worry-free retired life by saving well and investing smartly. And the task becomes that much easier if you start early.

Most people working in the private sector would not receive any pension. Fixed income instruments earn low returns that may not even beat inflation over the long term. Therefore, the best way for retail investors to beat inflation is through diversifying their portfolios across equity, debt and commodities (gold, silver), which should ideally be done via mutual funds, as they cater to various time horizons and risk appetites. Mutual funds are excellent vehicles for generating a sufficiently large retirement corpus and also to derive a steady income post-retirement.

Planning Systematically

It is important to save for your retirement separately like you do for other life goals.

1. **Deciding the Sum:** First, decide how much money you will need to accumulate for your retirement. This can be done by extrapolating your current annual expenses, utility bills and other cost heads to the time of your retirement.
2. **Accounting for Inflation:** A critical factor in deciding your final retirement corpus is inflation. On an average, taking a 6-7 per cent annual price rise would be a reasonable assumption. Healthcare inflation is much higher – usually, twice that of general inflation. Monthly expenses of ₹25,000 currently would become nearly ₹1 lakh after 20 years if inflation is 7 per cent.
3. **Factoring Risk Appetite, Surplus and Time Horizon:** Once these details are in place, you must then decide how to get there. You can sit with your financial advisor to assess how much risk you can take, work out your investible surplus and decide the timeline for retirement. Those in the early 30s can take more risks than others in, say, their late 40s or early 50s.
4. **Choosing the Investment Amount and Mutual Funds:** Basis the first three steps, you can easily decide how much you will need to save and invest in mutual funds every month to reach your goal.

Funds for Pre and Post-Retirement Phases

There are multiple styles of portfolio construction for investors of varying risk appetites. A common mode of building a portfolio is the core satellite approach. The core portfolio is the main part with a defined strategy and accounts for much of the investment amount. The satellite part has opportunistic investments, riskier assets and so on but with a smaller weightage. The idea is to blend the investments for robust risk-adjusted returns.

For example, those in their early 30s with fairly healthy risk appetite could consider large-cap, flexi-cap and multi-cap funds for their core portfolio and allocate 70-80 per cent of their regular investment amount (decided earlier) in these schemes via the SIP mode. The satellite portion could consist of mid-cap and small-cap funds, thematic and sector schemes and so on, which would account for the remaining investible surplus.

You could consider parking occasional bonus or incentive amounts that you receive in aggressive hybrid, balanced advantage or multi-asset funds such that the investment remains diversified in nature in terms of its asset allocation. If such an approach is followed over decades, i.e. investing systematically with discipline and increasing the investments periodically with salary increase, you will comfortably reach your target corpus.

Post-Retirement Income Generation

After retirement, the focus should be on protecting the corpus created and generating income in a steady manner. For this objective, you can move a significant portion of your diversified equity fund proceeds to conservative hybrid or balanced advantage funds and initiate systematic withdrawal plans (SWPs) from them to generate regular income. This way, your investments will continue to earn returns, even as you withdraw sums periodically for your requirements. To conclude, building a sizeable retirement corpus with the help of mutual funds can be a reality if you are willing to stay invested over decades and more.

The writer is Wealth Coach, Rathi Wealth Pvt. Ltd. ■ **Email :** service@rathiwealth.in ■ **Website :** www.rathiwealth.in

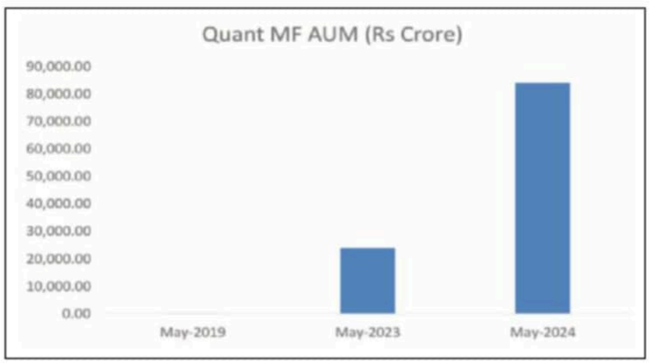
Front-Running in Mutual Funds

The recent unearthing of front-running in the Quant Mutual Fund has suddenly brought this term to the forefront with investors getting a bit panicky and wondering if they should exit the fund. The article explains how front-running takes place and whether any such illegal activity impacts the investors' money

India's mutual fund industry, a haven for retail investors seeking long-term wealth creation, finds itself battling a persistent demon – front-running. This unethical practice, where fund managers or insiders exploit their privileged knowledge of upcoming large trades to make personal profits ahead of their clients, is not just a regulatory headache, but a dangerous threat to the very core of investor trust. While we boast of a well-regulated market with the Securities and Exchange Board of India (SEBI) at the helm, several high-profile cases have dented investor confidence.

India's mutual fund industry has been rocked again quite recently by allegations of front-running, this time involving the high-flying Quant Mutual Fund. Known for its impressive returns and a meteoric rise in assets over the last few years, Quant MF now faces a regulatory probe, casting a shadow over its past performance. Quant MF, which is in the thick of a controversy, is one of India's fastest growing asset managers and has seen its assets under management (AUM) grow by 251 per cent over the last one year versus industry growth of 53 per cent, which means it has grown by five times the industry average.

Quant MF's total assets under management from all equity-dedicated schemes at the end of May 2024 stood at ₹84,028 crore, up from ₹23,956 crore as on May 31, 2023. It was at just ₹225 crore in May 2019. This is a staggering 37,246 per cent jump in five years. Meanwhile, the net AUM of equity-oriented schemes as on May 31, 2024 for the industry stood at ₹25.39 lakh crore this May versus ₹16.56 lakh crore in the same month of the previous year. It was at ₹7.24 lakh crore as on May 31, 2019. The industry AUM growth has been 250 per cent in the aforementioned period.



The reason for such a huge rise in the fund's AUM is that the schemes of this fund house have not just outperformed their benchmarks but have also given superior returns over their peers in different categories. Our analysis of different equity schemes managed by the fund house shows that most of the funds have returns that fall in the first quartile of their category returns in the last one year. For example, Quant Large and Mid-Cap Fund and Quant BFSI Fund are the top performing funds among their categories. So are the Quant Mid-Cap Fund and Quant Flexi-Cap Funds, which remain in the top five of their respective categories. These superior returns have helped the fund house to attract investors to invest towards their funds.

Fund	1 Yr Rank Within Category	1 Year Ret (%)
Quant Active Fund - Direct Plan	5	54.26
Quant BFSI Fund - Direct Plan	1	68.52
Quant Business Cycle Fund - Direct Plan	3	68.17
Quant ELSS Tax Saver Fund - Direct Plan	3	59.63
Quant ESG Equity Fund - Direct Plan	1	50.73
Quant Flexi Cap Fund - Direct Plan	4	62.59
Quant Focused Fund - Direct Plan	21	50.18
Quant Infrastructure Fund - Direct Plan	5	83.83
Quant Large and Mid Cap Fund - Direct Plan	1	67.7
Quant Large Cap Fund - Direct Plan	25	47.78
Quant Mid Cap Fund - Direct Plan	2	73.42
Quant Quantamental Fund - Direct Plan	6	62.82
Quant Small Cap Fund - Direct Plan	7	68.45
Quant Value Fund - Direct Plan	3	75.54

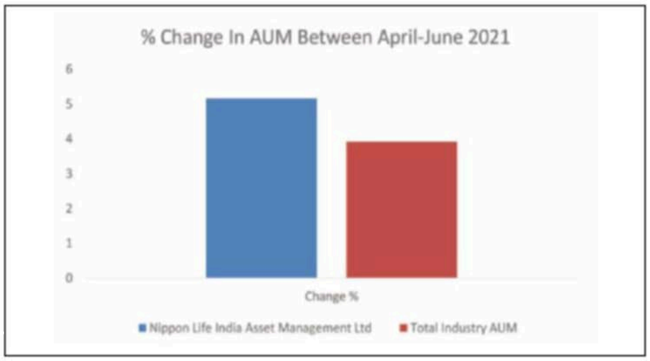
History of Front-Running

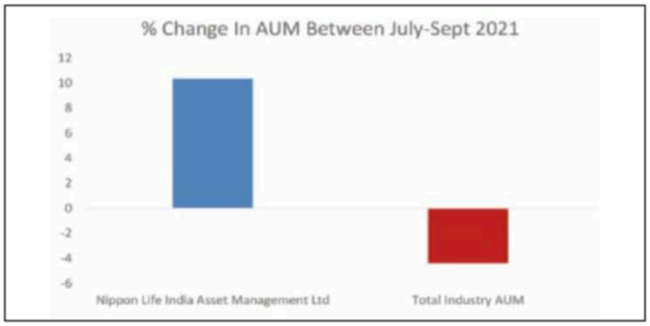
This is not an isolated case and we have a history of front-running in India. As of now, we know of the Quant MF only because it has come to light but there may be many cases where it might not have been discovered or unearthed. Following are some of the important and prominent front-running cases in the Indian mutual fund industry:

May 2021: Nippon India Mutual Fund

Formerly known as the Reliance Mutual Fund, allegations against it surfaced regarding front-running activities by some employees. SEBI, in its investigation, found that an employee, while working with the fund house as a dealer and having knowledge of the impending large trades to be executed on behalf of the fund house, passed on information pertaining to the trades to a dealer in a stock broking firm to execute trades on this behalf.

Following this the regulator barred these individuals from the capital markets for six months for front-running the trades and asked them to disgorge the unlawful gains, along with simple interest at the rate of 4 per cent. Post this event there was not much of an impact seen in the overall asset under management of the AMC. Between July 2021 and September 2021, the AUM of the fund house increased by 10.37 per cent, highest among the top five AMCs. If we take the period between April 2021 and June 2021, their AUM increased by 5.16 per cent.



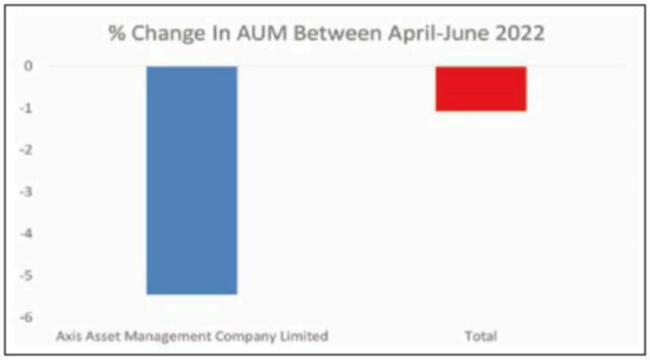


May 2022: Axis Mutual Fund

In May 2022, SEBI cracked down on Axis MF after uncovering front-running by a former chief dealer and associates. SEBI's surveillance system alerted them on suspected trading activities conducted from September 1, 2021 to March 31, 2022 on the trades of Axis Mutual Fund that were in violation of provisions of the Securities and Exchange Board of India Act, 1992 and other regulations. Based on alerts, SEBI conducted a detailed investigation to unearth the fraud and issued an interim order against the chief dealer and his accomplice.

The parties in this case followed the buy-buy-sell or sell-sell-buy strategy to execute the trades. For example, Axis Mutual Fund proposed to sell 32.30 lakhs shares of Hindalco Industries Limited. Before placing the order, the Axis MF dealer leaked this information to his accomplice who sold 3.97 lakh shares of Hindalco Industries at ₹419.72 — ₹422.28 a minute prior to the order of Axis Mutual Fund. Subsequently, the shares were sold by Axis Mutual Fund, which led to a decrease in the share price of Hindalco Industries' scrip to an average price of ₹417.78.

After that, the dealer's accomplice squared off their position by buying similar shares at a lower price and registered profits on their trade. Once again, we found that there was no statistically significant outflow from the fund house. Yes, between April 2022 and June 2022, Axis MF saw its AUM falling by 5.45 per cent but then other major fund houses too saw their AUM dropping in the same period. For example, HDFC AMC saw its AUM declining by around 4 per cent in the same period. One of the reasons for such a fall may be the drop in equity indices in the same period. In the next three months we saw the AUM of Axis AMC improving by 1.16 per cent.



No Great Repercussions

In addition to the above, there are other cases of front-running in the Indian MF industry. However, we observe that there hardly has ever been any impact on a fund's performance or inflows of the fund towards AMCs where such cases have happened. Even in the current case, it has almost been more than a week since the news was leaked and yet there has not been any negative knock or slide in the net asset value (NAV) of the equity-dedicated funds of Quant MF. They are generating returns as per the industry average in their categories. Out of the 14 categories that they are present in, their funds are underperforming only in two categories while outperforming in the rest. This is after ₹1,400 crore worth of investments was redeemed from the funds managed by Quant MF within the first three days of this news.

Action Plan for Investors

Considering everything and taking experience from the past such cases of front-running, there is little justification for investors to rush to exit funds based on such information. While the situation could further deteriorate from the existing level, history shows that adopting a wait-and-watch approach might be the most prudent policy at such a stage. Before taking any action, investors should closely monitor developments and official communications from both SEBI and fund houses on this matter, given that there are periods in a mutual fund industry when performance charts are dominated by a given fund house.

Hence, there might be cases that many investors gravitate towards it. Therefore, this is also an opportune moment for investors to reassess their portfolio diversification in terms of fund houses. Although Quant MFs have been strong performers, this incident highlights the importance of not putting all the eggs in a single basket, regardless of how reputed a fund house may be.

In a broader context, this investigation serves as a wake-up call for the entire mutual fund industry. It underscores the need for robust internal controls, stringent ethical guidelines, and a culture of transparency. As the investigation unfolds, it will be crucial for all stakeholders—regulators, fund houses, and investors—to learn from this incident. If the industry has to grow, the trust of investors is of paramount importance and it's not only the responsibility of the regulator but of everyone in the ecosystem to refrain from such unlawful practices.

The Right Approach To Investing

Hemant Rustagi
Chief Executive Officer, Wiseinvest Pvt Ltd.

Disciplined investing through SIP has emerged as an ideal strategy for millions of investors in our country. One of the major advantages of this strategy is that you invest at different levels of the stock market and hence benefit from averaging. In other words, it allows you to turn volatility – which is the most feared factor for investors – in the stock market to your advantage. Besides, if you stay committed to your time horizon, you also benefit from the true potential of equity as an asset class and the power of compounding.

However, if you are looking to benefit from this disciplined and potentially rewarding approach, you must follow the right investment process. A random approach can either expose you to unwarranted risks or disappoint you in terms of returns. Remember, you won't achieve your investment goals by investing a random amount that is either not enough to achieve your goals or exceeds your capacity to invest, thereby compelling you to interrupt your investment process.

Investing in too many funds, continuing with the same amount of investment despite the rise in your income over the years and not tracking the performance of funds thinking that over time all funds do very well are some of the other pitfalls that can impact the final result. Here's how you can figure out whether you are on the right track or not. First, how much are you investing and in which funds? Both these are important aspects to avoid any disappointment in the future.

To ensure that you are investing the right amount and in the right funds, you must begin by establishing goals to be achieved over the short-term, medium-term and long-term horizon, set a target and then work out an investment amount for each of the goals based on a realistic assumed rate of return. When you follow a similar approach for all your goals, it helps you ascertain asset allocation and how much you need to invest per month to achieve each one of them. It is possible that you may not have the required surplus to begin investing for all your goals.

Investing in too many funds, continuing with the same amount of investment despite a rise in income and not tracking the fund performance are some of the pitfalls that can impact the final result.

In that case, budgeting can help you identify areas where you can cut down spending as well as prioritise your goals. The key, however, is to begin investing and increase the investment amount later rather than delaying the investment process itself. Once the asset allocation is ascertained based on your time horizon, the next step should be the fund selection. For equity funds, you must begin with flexi-cap, large-cap and mid-cap and multi-cap funds. For hybrid funds, depending on your time horizon, you can choose a mix of equity savings, balanced advantage and aggressive hybrid funds.

For short-term goals, debt funds should be chosen by matching your time horizon with the maturity duration of your fund holdings. Secondly, how many funds are you investing in? It is quite common to see portfolios suffering from over-diversification. As a result, investors not only find it difficult to track performance but also compromise their returns. If you have too many funds in your portfolio, you must take steps to consolidate the portfolio. Remember, having too many similar funds in the portfolio doesn't help in any way.

You must weed out non-performing funds by measuring their performances through their benchmarks and the average return of the peer group. Thirdly, are you increasing the SIP amount over time? It is important to keep increasing the SIP amount as your income grows. That's because, despite careful planning, one can never be sure about how much money will be required for each of these goals at the end of your time horizon. You must also consider the fact that inflation is bound to eat into your income. In any case, having an additional amount in the future would provide you the flexibility to utilise it in a manner that you may like to for any of your needs.

MF QueryBoard

Upon retirement, I received a large Provident Fund payout of ₹1 crore. Since it's tax-exempt, do I still need to include it when filing my Income Tax Return? If yes, in which section should I report it? - Suraj Shelar

You're absolutely right to consider how to handle your PF payout when filing your Income Tax Return (ITR). While the entire PF corpus itself might be tax-exempt, disclosing it in your ITR is crucial. Here's a breakdown:

Do I need to show my PF payout in the ITR?
Yes, you should definitely show your PF payout of ₹1 crore in your ITR, even though it's a tax-exempt income. There are two main reasons for this:

- **Transparency:** Disclosing all income sources, including tax-exempt ones, provides a complete picture of your finances to the Income Tax Department. This helps avoid any discrepancies or confusion later.
- **Future Investments:** If you plan to invest the PF payout, any income generated from those investments might be taxable. By disclosing the source of the funds (the PF payout), you establish a clear trail and avoid any potential issues with the tax authorities in the future.

Where to show the PF payout in the ITR form?
The specific location for disclosing your PF payout depends on the ITR form you choose to file. Here's a general guideline:

- **Schedule EI:** Most commonly used ITR forms (like ITR-1, ITR-2, and ITR-3) have a section called "Schedule EI" dedicated to showing exempt income. This is where you would enter the details of your PF payout, including the amount and the source (EPF account).

Additional Points to Consider

- **Tax Deducted at Source (TDS):** If any TDS (Tax Deducted at Source) was deducted on your PF payout, it will be reflected in your Form 16 provided by your employer. You can claim credit for this TDS while filing your ITR.
- **PF Withdrawal Before 5 Years:** If you withdrew your PF corpus before completing five years of service, a part of it might be taxable. It's best to consult a tax advisor for specific guidance in such cases.

By disclosing your PF payout in your ITR, you ensure a smooth and transparent tax filing process. If you have any further questions or require assistance with filing your ITR, consider consulting a registered tax professional. They can provide personalized advice based on your specific circumstances.

While IPOs for stocks might offer listing gains, do new ETFs launched through NFOs experience similar price surges in the first few days of trading? - Pratima Sinha

No, unlike IPOs (Initial Public Offerings) for stocks, ETF NFOs (New Fund Offers) typically don't result in significant listing gains. Here's a breakdown of why:

Understanding the Difference

- **IPOs:** When a company goes public through an IPO, it issues new shares for the first time. Investors can buy these shares at an offering price, and if there's high demand exceeding supply, the price can jump on the first day of trading, leading to listing gains.
- **ETF NFOs:** ETFs are investment vehicles that track an underlying index or basket of assets. During an NFO, new units of the ETF are created and offered to investors at a fixed price. These units simply represent a claim on the underlying assets, not ownership in a new company.

Why Listing Gains are Less Likely with ETF NFOs

- **Passive Management:** Unlike actively managed funds, most ETFs are passively managed, meaning they aim to replicate the performance of a specific index. The price of the ETF unit reflects the value of the underlying assets, which are already established in the market. No room for significant price discovery or surprise could lead to a surge.
- **Transparency and Efficiency:** The pricing of an ETF unit during the NFO is usually transparent and reflects the net asset value (NAV) of the underlying holdings. This means the price is already close to the intrinsic value of the ETF, leaving little room for significant price swings after launch.

Data and Examples
Studies by investment research firms support this point. For instance, Value Research analysed over 150 ETF NFOs launched between 2002 and 2024. While around 90 per cent traded at a premium (slightly higher than the offer price) on their first day, the premiums were mostly in the range of 0-5 per cent, not substantial gains for investors. Only a handful of ETFs (around 11) saw premiums exceeding 5 per cent in the last two decades.

Exceptions and Considerations
There might be rare instances where a new ETF with a unique underlying strategy or niche focus could experience higher initial demand and a slightly larger premium. However, such cases are uncommon.

Investing in ETF NFOs
Instead of chasing listing gains, investors should focus on the long-term investment strategy offered by the ETF. Consider factors like the underlying index, expense ratio, and alignment with your overall portfolio goals before investing in an ETF NFO.

Can I invest in Sovereign Gold Bonds (SGBs) regularly through a method similar to SIP (Systematic Investment Plan) used for mutual funds?

- Mohit Soman

No, unlike mutual funds, you cannot directly invest in Sovereign Gold Bonds (SGBs) through a Systematic Investment Plan (SIP) where you set up a fixed amount to be invested periodically. Here's why:

- **Issuance Process:** SGBs are issued by the Government of India in tranches or batches at specific intervals throughout the year. These issuance periods are typically announced beforehand, and investors have a limited window to apply and invest a lump sum amount.
- **Structure:** SGBs are similar to bonds, with a fixed tenure (usually 8 years) and a fixed interest rate (currently 2.5% per annum). Unlike mutual funds, there's no facility for ongoing investment or rupee-cost averaging through a SIP-like mechanism.

Alternatives for Regular Investment in Gold

While a direct SIP equivalent isn't available for SGBs, here are a couple of options if you're looking for a way to invest in gold regularly:

- **Gold ETFs (Exchange Traded Funds):** These are open-ended investment funds that track the price of gold. You can invest in gold ETFs through a stockbroker and set up a SIP to buy them at regular intervals. However, unlike SGBs, gold ETFs don't offer a fixed interest rate.
- **Digital Gold:** Several platforms offer digital gold investments, allowing you to invest small amounts regularly. These represent fractions of physical gold stored in secure vaults, and their value fluctuates with the gold price. However, be sure to understand the associated fees before investing.

Choosing the Right Option

The best option for you depends on your investment goals and risk tolerance.

- If you prioritize guaranteed returns along with some gold exposure, SGBs purchased during issuance windows might be suitable.
- If you prefer the flexibility of regular investments and tracking gold prices, then gold ETFs with an SIP could be a good choice.
- Digital gold provides another avenue for fractional gold ownership with regular investment options, but research the platform and fees involved.

I'm considering investing in either a fixed deposit with a small finance bank or a debt mutual fund. Safety is important to me, but I'm also open to some potential for higher returns. Which option might be a better fit?

- Reshma Balan

Choosing between a fixed deposit (FD) with a small finance bank and a debt mutual fund depends on your priorities and risk tolerance. Here's a breakdown to help you decide:

Safety

- **FDs:** Generally considered safer, especially for deposits up to ₹5 lakh which are insured by the Deposit Insurance and Credit Guarantee Corporation (DICGC). Small finance banks are regulated by the Reserve Bank of India (RBI) but historically, bank failures (though rare) can happen.
- **Debt Funds:** Generally considered slightly less safe than FDs. The risk depends on the type of debt instruments the fund invests in. Lower-risk debt funds (like those investing in government securities) are considered safer but may offer lower returns. Higher-risk debt funds (like those investing in corporate bonds) offer potentially higher returns but also carry a higher risk of default.

Returns

- **FDs:** Offer a fixed interest rate for the chosen tenure. Currently, small finance banks may offer slightly higher FD rates compared to larger banks.
- **Debt Funds:** Returns are not guaranteed and fluctuate based on the underlying investments. Historically, debt funds, especially low-risk ones, have offered returns comparable to FDs. However, debt funds also have the potential for higher returns if you choose a fund that invests in slightly riskier debt instruments.

Other factors to consider

- **Liquidity:** FDs typically have a fixed lock-in period (penalty for early withdrawal). Debt funds, especially open-ended funds, offer more flexibility for withdrawal, though there might be exit loads for short-term redemptions.
- **Taxation:** Interest earned on FDs is taxed as per your income tax slab. Debt funds held for less than 3 years are taxed as per your income tax slab. Debt funds held for over 3 years are taxed at a concessional rate (currently 20% with indexation).

Here's what might suit you

- **Prioritize Safety:** If capital protection is your top concern, then an FD with a small finance bank, especially for deposits up to ₹5 lakh, might be a good choice.
- **Open to some Risk for Potential Higher Returns:** If you're comfortable with a little more risk in exchange for the possibility of higher returns, then a low-risk debt mutual fund could be a good option. Consider consulting a financial advisor to choose a debt fund that aligns with your risk tolerance and investment goals.

Ultimately, the best choice depends on your individual circumstances. Consider your risk appetite, investment horizon, and liquidity needs before making a decision.

Amitabh Mohanty

Managing Director and CEO, JM Financial Asset Management Ltd

"Lack Of Investor Awareness Is The Biggest Challenge"

Even though the number of retail mutual fund investors in India has been reflecting an amazing growth curve, there are challenges that many investors face due to a lack of insights into how the mutual fund industry works. As indicated by **Amitabh Mohanty**, ***Managing Director and CEO***, **JM Financial Asset Management Ltd.** in this interview, steps must be taken to fill the gap

Given the current global economic scenario, what are your predictions for the Indian stock market in the next 12 months? How do you foresee the impact of potential US Federal Reserve rate cuts on the Indian economy?

Rate cuts, if and when they happen, are positive for the valuation of risk assets, including emerging market equities and commodities. The Indian GDP is on a solid footing now and we are seeing announcements which indicate an impending corporate capital expenditure cycle with PSUs leading the way and private companies following suit. Stock markets will have their ups and downs but the underlying strength of our economy gives us the confidence to continue to back the India growth story.

In light of recent market volatility observed during the election result week, how does JM Financial Asset Management manage risk within its investment portfolios? Please elaborate on any changes or adjustments made to your risk management strategies recently.

While we watch and calibrate our portfolio strategies in shorter timeframes, our risk management framework is built solidly to last the test of time as well as market gyrations. Our framework focuses on compliance, portfolio quality and liquidity as cornerstones of risk management. Our risk policies keep a fine balance between giving adequate freedom to fund managers while having strict parameters for investment management, liquidity and volatility.

What do you consider the biggest challenges facing the asset management industry today? How are you preparing to address these challenges?

The Indian asset management industry faces several challenges. However, we believe that the lack of investor awareness and education is the most pressing one. Despite the growing awareness, a significant portion of the 'Bharat' part of the population remains under-invested due to a lack of knowledge or misconceptions about financial products. The efforts undertaken in this aspect, while commendable, need to continue.

We are witnessing an unprecedented rise in technological advancements and the rise of financial technology companies offering 'do-it-yourself' (DIY) solutions that could pose a threat to traditional asset management models. These new entrants often offer more innovative and cost-effective solutions, attracting technology-savvy investors. Ensuring robust risk management frameworks to mitigate operational risks, including those related to cyber security, fraud and compliance is getting increasingly important.

Some measures need to be followed to find the right solutions. Implementing comprehensive investor education programmes to improve financial literacy can expand the market. Using digital channels and social media to reach a wider audience can also be effective. The combination of physical and digital models needs to be leveraged better. Technology needs to be used for not only investors but also for partners, empowering them with solutions which can help them give better advice to their investors. In India, we still need the advice of someone we can trust.

While the DIY platforms are great when the markets are high, it is when the markets take a downturn that the informed distributor comes to the fore – someone who can guide investors, using the latest tools, on their investment journey irrespective of the market levels. For us, developing robust risk management frameworks to address operational risks, including cyber security measures and compliance protocols, is essential. Regular audits and adopting best practices in risk management can safeguard against potential threats. By addressing these challenges proactively, asset managers in India can not only survive but thrive in a competitive and evolving market landscape.

Which sectors do you believe will drive the next phase of growth in the Indian economy, and why? Can you highlight any specific sectors where JM Financial Asset Management is currently bullish?

Corporate India is in the midst of a capital expenditure cycle and we are bullish on financials, cement, commodities, capital goods, manufacturing and power where we see strong growth trends.

How has been the performance of your flagship funds over the past year and what factors contributed to their performance? Also, could you tell us about any new funds or financial products that JM Financial Asset Management has launched or plans to launch soon?

The performance of our funds has been satisfactory with alpha generation over the past year. What has been even more satisfying is that funds with distinct mandates have delivered good performance pointing to overall validation of our investment process. While the flagship JM Flexi-Cap Fund has done well, funds such as JM Mid-Cap Fund, JM Value Fund, JM Large-Cap Fund and JM Aggressive Hybrid Fund have scripted superior risk-reward.

However, past performance may or may not be sustained. We have taken a calibrated approach to new product launches with the focus being on stabilising each new fund before proceeding with newer launches. We did an NFO of JM Mid-Cap Fund in November 2022 and after a brief hiatus did the NFO of JM Small-Cap Fund recently in May 2024. We aim to launch newer products in the future to fill our product basket.

What is the investment philosophy that underpins the fund management strategies at JM Financial Asset Management? How do you ensure that your investment strategies align with your investors' financial goals?

India is a market with strong growth prospects in the medium term. The stages of economic evolution have ensured strong rewards for disciplined and quality-conscious growth investors. Our investment philosophy which we call 'GeeQ' stands for growth of earnings with earnings quality and tries to focus on companies with high earnings growth while being cautious on balance-sheet quality. This along with active management for consistency of returns while keeping a sharp eye on risk endeavours to generate superior alpha for our investors.

In today's digital age, in what ways do you ensure transparent and effective communication with your investors? How do you incorporate technological advancements like artificial intelligence and machine learning in your investment processes?

We are very traditional when it comes to our investment processes. While we use a lot of data and AI to help us compile reports and data on companies, our team aims to put in the legwork to go and visit the companies and meet the management and not just number-crunching the data available. In our own small way, we are using AI in trying to make reporting easier by using visuals like graphs and charts to convey complex information clearly.

For example, we use AI to enhance our monthly market outlook so that users can watch it on the go. Our factsheets and account statements are also redesigned keeping the end investor in mind, making it simpler for them to read and understand them. We are increasingly using machine learning to help segment investors and partners based on their profiles and tailor communications to their specific needs and preferences. This will help us adopt a sniper rather than a shotgun approach, making it easier to know what works and then keep doing that better and in different ways.

The use of social media today has become a necessity and we actively use these platforms to share timely updates and engage with investors and partners. We are also taking the first steps to ensure compliance with regulatory requirements by automating internal monitoring and reporting processes. While these are the first steps, we envisage the use of AI in tools and advanced risk profilers and calculators that help our partners analyse portfolios better and therefore be able to offer better advice to their investors.