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DALAL STREET INVESTMENT JOURNAL

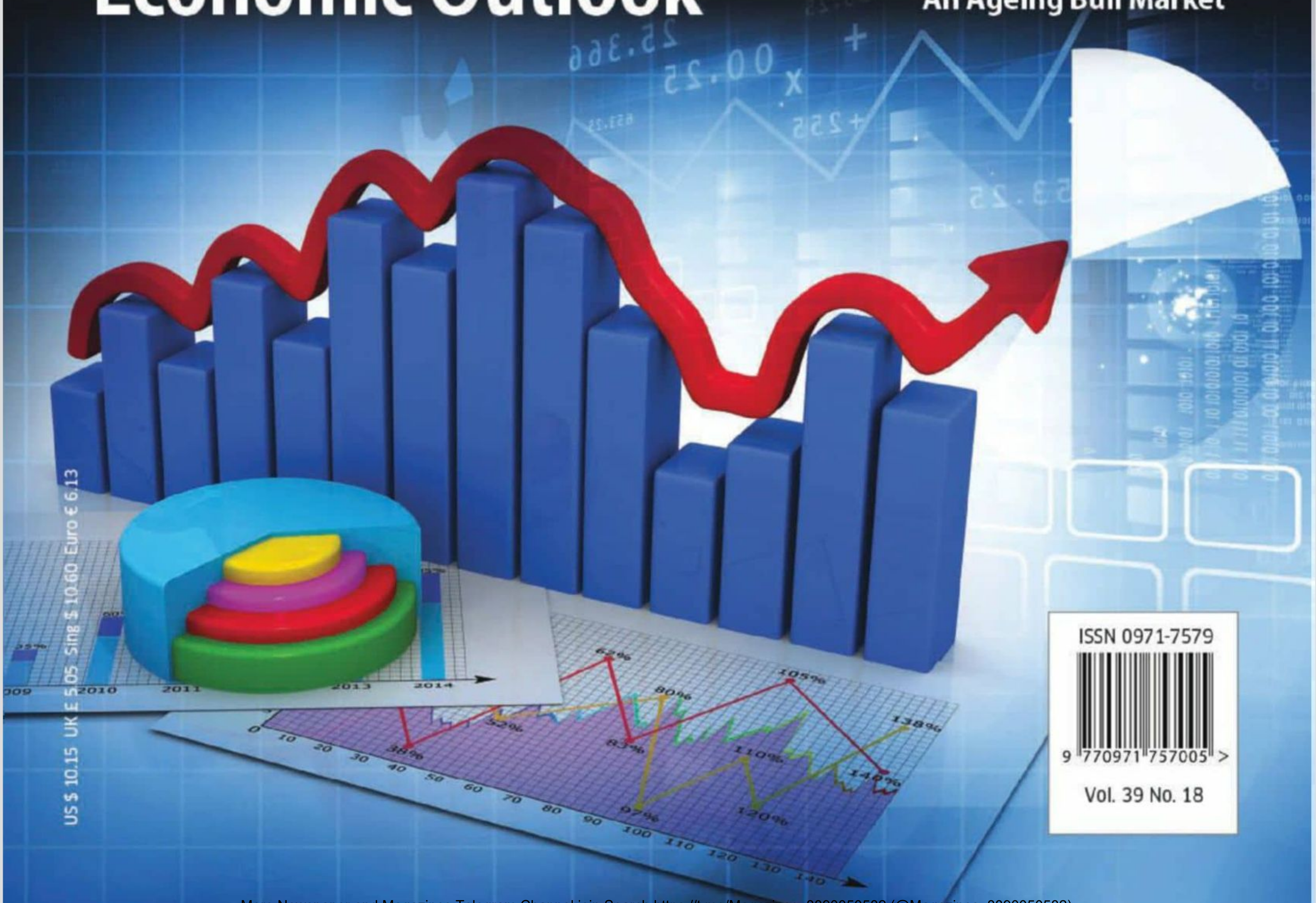
DEMOCRATIZING WEALTH CREATION

JULY 29 - Aug 11, 2024 ▪ Pages 68 ▪ www.dsij.in ₹150

Cover Story
Q1FY25: Earnings & Economic Outlook

Analysis
Jubilant FoodWorks Ltd.

Special Report
How To Invest In An Ageing Bull Market



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Vol. 39 No. 18


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Editor's Keyboard

A Taxing Budget for the Stock Market

As we were approaching the Union Budget 2024, most of us were filled with anxiety over potential new regulations that could impact the equity and derivatives markets. This expectation was fuelled by recent comments from financial regulators and the government itself. SEBI chief Madhabi Puri Buch's remarks on the surge in futures and options volumes, alongside RBI Governor Shaktikanta Das' warnings about structural liquidity issues, sparked debates about potential government intervention.

The importance of futures and options was clearly underscored when it was mentioned for the first time in an economic survey. Hence there were expectations that Finance Minister Nirmala Sitharaman, presenting her seventh consecutive Union Budget and making history as the first finance minister to do so, would introduce measures aimed at curbing speculative activities, particularly in the derivatives market. True to our expectations, the finance minister announced a hike in capital gains tax on both short-term and long-term profits from certain financial assets.

Additionally, the Securities Transaction Tax (STT) on futures was marginally increased to 0.02 per cent and on option it was increased to 0.1 per cent. Earlier STT on futures was at 0.0125 per cent and on option it was at 0.0625 per cent. Although the market reaction was initially harsh, it soon recovered and I believe the overall impact is largely expected to be neutral for the market participants. For instance, the STT on options will increase by around ₹3.75 per ₹10,000 round-trip premium turnover, while exchange turnover charges should decrease by a similar amount.

The STT increases on both futures and options will take effect from October 1, 2024, coinciding with the reduction in exchange turnover charges and hence may not impact a trader to a large extent. With long-term capital gains (LTCG) and short-term capital gains (STCG) taxes increased by 25 per cent and 50 per cent, respectively, the market is expected to digest and stabilise in the coming days. The LTCG rate has been raised to 12.5 per cent, with the exemption limit increased from ₹1 lakh to ₹1.25 lakh, effective immediately. This retrospective application of the tax rate could have been avoided.

I believe this was the most appropriate time to introduce these taxes if at all needed, as many investors who entered the market during the coronavirus pandemic in 2020 are likely sitting on significant profits and would not mind paying a portion of them in taxes. Additionally, tax rates on stock market activities remain among the lowest of all types of taxes in India. We may see a reaction to these tax changes in the equity market over the next few weeks or months. Nonetheless, future returns from the equity market will depend on company valuations and performance.

If companies continue to deliver strong results, the impact of these announcements may be limited to a short-term adjustment. This is exemplified by the performance of the IT sector, which has been one of the best performers, driven by a reasonable set of numbers against low expectations and not overly high valuations.

In our cover story this time, we have analysed the June quarter results of various companies, providing comprehensive coverage of their performance. Additionally, we have examined how the recent budget will impact these companies and sectors. In another interesting story, we have analysed how the upcoming U.S. election could affect global and Indian markets and sectors. We hope you will find these stories interesting and helpful in making informed investment decisions.

RAJESH V PADODE
Managing Director & Editor

DALAL STREET INVESTMENT JOURNAL

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Growing Wealth in Agriculture

I am an avid reader of Dalal Street Magazine and have greatly benefited from the insightful recommendations provided. I would appreciate an analysis of the current outlook for the agriculture sector and whether investments in this field are expected to be profitable.

- Dhananjay Selukar

Editor Responds: *We appreciate your kind words of encouragement. You've posed a timely and relevant question. The Union Budget announcements, with a substantial allocation of ₹1.52 lakh crore for agriculture and allied sectors, position the sector for remarkable growth. The budget outlines initiatives focusing on sustainable practices, digital infrastructure, and increased production. Additionally, a comprehensive review of agricultural research will be undertaken to boost productivity and develop climate-resilient crop varieties, with 109 new high-yielding, climate-resilient varieties set to be introduced. The Budget also proposes the creation of large-scale vegetable production clusters near major consumption centres to improve the supply chain. Given the sectoral boost, investing in agriculture appears promising. However, focus on valuation and company-specific growth factors for optimal returns.*

Recommendations

Company/Scheme	Reco.	Price (₹)	Column	Page No
Aptus Value Housing Finance	Hold	320.00	Reviews	50
Balu Forge Industries	Buy	409.95	Technicals	17
Gokaldas Exports	Buy	897.90	QueryBoard	48
GRM Overseas	Hold	194.80	QueryBoard	48
Hi-Tech Pipes	Hold	145.45	QueryBoard	47
HP Adhesives	Buy	95.98	Low Priced Scrip	12
ITC Ltd	Buy	492.05	Kerbside	51
JTL Industries	Buy	218.60	Hot Chips	14
Jubilant FoodWorks	Buy	560.45	Analysis	20
Jupiter Wagons	Hold	619.50	QueryBoard	49
Kaycee Industries	Buy	1,631.75	QueryBoard	47
NTPC	Buy	382.35	Kerbside	51
Nucleus Software Exports	Buy	1,507.45	Choice Scrip	10
PC Jewellers	Buy	70.63	Technicals	17
PTC Industries	Buy	13,748.00	Hot Chips	14
Sirca Paints India	Sell	361.40	QueryBoard	49
Suzlon Energy	Buy	57.82	Kerbside	51
Titan Company	Buy	3,468.15	Kerbside	51
Vascon Engineers	Hold	72.30	Reviews	50

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

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DSIJ PRIVATE LIMITED, a Research Analyst is registered with the Securities and Exchange Board of India, with registration number INH000006396.

Sectoral Gains Make A Mark

The Indian benchmark indices experienced modest gains over the past fortnight, following a robust rally, amid uncertainties surrounding Q1FY25 performance and anticipation of the Union Budget. The BSE Sensex gained by 0.76 per cent, while the Nifty 50 index rose by 0.85 per cent, both indices having recently achieved new record highs. In contrast, the broader indices notably lagged behind the main indices, facing intense selling pressure across consecutive trading sessions. The BSE Mid-Cap fell by 2.48 per cent while the BSE Small-Cap declined by 3.09 per cent during the period.

Investor sentiment was highly volatile, with the information technology (IT) and fast-moving consumer goods (FMCG) sectors enjoying gains of more than 5 per cent each, while the metals, power and automobile sectors bore the brunt of the broader market weakness. Infosys and Tata Consultancy Services spearheaded the IT sector's gains, driven by strong Q1 performances that exceeded market expectations. The shares of Infosys soared around 9 per cent over the fortnight as the IT major raised its revenue growth guidance for the current fiscal year to 3-4 per cent, up from the previous 1-3 per cent, providing investors with an additional boost.

The FMCG industry safeguarded investors' wealth as a defensive sector during market uncertainties, with industry leaders Hindustan Unilever and ITC experiencing an uninterrupted and robust rally. The shares of Reliance Industries declined considerably after the company reported a 5.5 per cent year-on-year drop in consolidated profit for the April-June period, impacted by weakness in its oil-to-chemicals (O2C) division and higher depreciation costs, which offset gains in its consumer and oil and gas upstream businesses.

Most banks have released their Q1 results, with all of them reporting significant double-digit growth in both their top-line and bottom-line. According to the latest figures from the Ministry of Statistics and Programme Implementation, consumer inflation has reached a four-month peak at 5.08 per cent. Additionally, food inflation has soared to 9.4 per cent year-on-year in June, marking its highest level in six months.

Benchmark indices continued their uptrend, reaching new record highs, although the pace has slowed as the broader markets faced selling pressures

On the other hand, India's Index of Industrial Production (IIP) surged 5.9 per cent year-on-year in May, up from 5 per cent in April. Over the past two weeks, foreign institutional investors (FIIs) have consistently been net buyers, while domestic institutional investors (DIIs) have remained sellers for most trading sessions. Consequently, FIIs recorded a significant net inflow of ₹14,790 crore whereas DIIs contributed only ₹1,164 crore to the market during the same period.

Performance Of Indices

Indices	July 08, 2024	July 19, 2024	Gain/Loss (%)
IT	38,483.33	40,620.28	5.55
FMCG	20,926.78	22,058.75	5.41
Oil & Gas	30,152.29	30,812.00	2.19
Nifty	24,323.85	24,530.90	0.85
Sensex	79,996.60	80,604.65	0.76
Healthcare	38,246.54	38,156.16	-0.24
Bankex	60,332.23	60,167.10	-0.27
Realty	8,740.66	8,558.01	-2.09
Auto	57,826.16	56,500.33	-2.29
Mid-Cap	47,437.85	46,260.03	-2.48
Small-Cap	54,153.96	52,481.80	-3.09
Power	8,095.23	7,709.69	-4.76
Metal	33,739.36	31,517.10	-6.59

Net Investment In Equity Markets (₹/Cr)

Date	FIIs	DIIs
19 Jul 24	1,506.12	-461.56
18 Jul 24	5,483.63	-2,904.25
16 Jul 24	1,271.45	-529.48
15 Jul 24	2,684.78	-331
12 Jul 24	4,021.60	-1,651.45
11 Jul 24	-1,137.01	1,676.47
10 Jul 24	583.96	1,082.40
9 Jul 24	314.46	1,416.46
8 Jul 24	60.98	2,866.79
Total	**14,789.97**	**1,164.38**

ANAND RATHI WEALTH LIMITED

Registered Office - Express Zone, A Wing, 10th Floor, Western Express Highway, Goregaon (E), Mumbai - 400 063, Maharashtra
CIN : L67120MH1995PLC086696, Website www.anandrathiwealth.in

YoY Total Revenue 38% ↑ **YoY PAT 38% ↑**

EXTRACT OF STATEMENT OF UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR QUARTER ENDED JUNE 30, 2024

(In INR Lakhs except EPS)

Sr. No.	Particulars	Quarter Ended			Year Ended
		30.06.2024 (Unaudited)	31.03.2024 (Audited)	30.06.2023 (Unaudited)	31.03.2024 (Audited)
I	Revenue From Operations	23,761.37	18,428.42	17,502.59	72,432.25
II	Profit Before Tax	9,899.19	7,899.61	7,088.84	30,560.98
III	Profit After Tax	7,344.18	5,686.10	5,323.28	22,582.23
IV	Total Comprehensive Income for the period/year (comprising profit for the period/year after tax and other comprehensive income after tax)	7,181.54	5,692.00	5,351.27	22,574.71
V	Paid - up capital (per value of Rs. 5/- each fully paid)	2,072.91	2,091.41	2,084.41	2,091.41
VI	Other Equity				62,794.00
VII	Earning per share (par value of Rs. 5/- each)*				
	1. Basic (Rs.)	17.56	13.62	12.77	54.10
	2. Diluted (Rs.)	17.54	13.60	12.71	54.03

** EPS is not annualised for the quarter ended periods.*

Notes

1. The above unaudited financial results for the quarter ended June 30, 2024 have been reviewed and recommended by the Audit Committee and approved by the Board of Directors of the Company at its meeting held on July 11, 2024. The Statutory Auditors of the Company has carried out Limited Review of the aforesaid results.
2. The above is extract of the detailed format of Unaudited Financial Results (Consolidated) for the Quarter ended June 30, 2024 filed with the Stock Exchanges under Regulation 33 of the SEBI (Listing and Other Disclosure Requirements) Regulations, 2015. The full format of the Unaudited Financial Results (Consolidated and Standalone) for the Quarter ended June 30, 2024 are available on the websites of the Bombay Stock Exchange i.e bseindia.com, National Stock Exchange i.e. nseindia.com and the Company i.e. www.anandrathiwealth.in.
3. Extract of Key numbers of unaudited Standalone Financial Results

(In INR Lakhs)

Sr. No.	Particulars	Quarter Ended			Year Ended
		30.06.2024 (Unaudited)	31.03.2024 (Audited)	30.06.2023 (Unaudited)	31.03.2024 (Audited)
I	Revenue From Operations	22,936.24	17,673.42	16,771.24	69,467.63
II	Profit Before Tax	9,737.35	7,716.34	6,972.06	29,967.21
III	Profit After Tax	7,223.47	5,550.48	5,236.42	22,143.71

Date: July 11, 2024
Place: Mumbai

Sd/-
Anand Rathi
Chairman & Non Executive Director

Thank You! Today, we take this opportunity to Thank all our Clients, Investors and our Employees for being a part of our success journey.

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ANANDRATHI
Private Wealth. uncomplicated

NUCLEUS SOFTWARE EXPORTS

SPINNING REWARDING SOLUTIONS

HERE IS WHY

Good growth prediction for IT sector

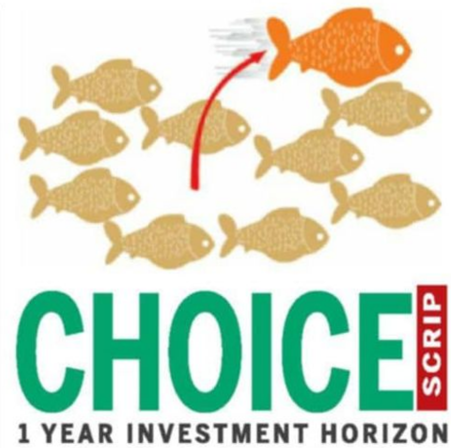
Expertise in banking and financial solutions

Orders from top-end companies

In the ongoing results season, one of the sectors that have emerged as standouts is information technology (IT). Against expectations, most of the IT companies, barring a few, have beaten street estimates. Also, the management commentary of several IT companies indicates green shoots emerging in the banking and financial services. The Indian software product industry is expected to reach USD 100 billion by 2025.

India's IT industry is likely to hit the USD 350 billion mark by 2026 and contribute 10 per cent towards the country's GDP. Taking this into account, our choice scrip recommendation for this issue is Nucleus Software Exports Ltd. The company provides lending and transaction banking products to the global financial services' industry. Its software powers the operations of more than 200+ financial institutions in over 50 countries supporting retail lending, corporate banking, cash management, mobile and internet banking, automotive finance and other business areas.

The company's financial performance in Q4FY24 on a consolidated basis saw net sales increase by 1.97 per cent YoY to ₹210.26 crore compared to ₹206.20 crore from the previous year's same quarter. On a sequential basis, its revenue increased by 3 per cent. The PBIDT excluding other income decreased by 29.64 per cent to ₹58.22 crore compared to ₹82.74 crore from the previous year's same quarter, while sequentially it increased by 22.18 per cent. Its profit after tax (PAT) has emerged at ₹52.14 crore compared to ₹67.65 crore from the previous year's same quarter, indicating a YoY decrease of 22.93 per cent and sequentially increasing by 26.22 per cent from ₹41.31 crore.



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

The company's solutions facilitate more than 26 million transactions each day, managing over USD 200 billion of loans and enabling more than 3 lakh users logging in daily. The company's flagship products such as Finn One NEO and Finn Axia are powered by AI and have an API ecosystem too. The company is currently experiencing significant growth due to its product Finn One NEO, which has already attracted over 60 customers. It is also exploring new markets in the US, Canada and Japan, attracting a vast pool of potential customers.

Nucleus Software Exports has significantly bolstered its workforce with a 102 per cent year-over-year increase in headcount and a 47 per cent increase quarter-over-quarter. The company's low attrition rate of less than 5 per cent indicates a positive work environment and engaged employees. Its order book position is at ₹780 crore, including ₹707.7 crore of product business and ₹72.3 crore of projects and services. It maintains a strong cash position, prioritising cash flow and reinvestment in customer support.

Additionally, the company is focusing on margin improvement. It has partnered with big names in the technology industry, namely Microsoft, AWS, Oracle and Red Hat. It serves big names in the banking, financial services and insurance (BFSI) space, including State Bank of India, ICICI Bank, HDFC Bank, City Bank, DBS Bank, Standard Chartered Bank, and many more. The company is currently trading at a PE of 23.9 times as against the industry PE of 36.5 times and higher than its three-year median PE of 21.7 times. Considering the company's business and its leading position in the industry, we recommend **BUY**.

Monthly Stock Market Returns

Shareholding Pattern (%) as of March, 2024	
Promoters	73.27
Institutions	7.45
Public	19.29
Total	100.00

Last Five Quarters (₹/Cr) (Consolidated)

Particulars	Mar-24	Dec-23	Sept-23	June-23	Mar-23
Total Income	224.47	216.13	217.11	219.64	215.93
Other Income	14.21	12	11.86	12.83	9.73
Operating Profit	72.43	59.65	63.8	75.41	92.47
Interest	0.23	0.21	0.26	0.25	0.26
Net Profit	52.14	41.31	44.59	53.56	67.65
Equity	26.77	26.77	26.77	26.77	26.77

HP ADHESIVES

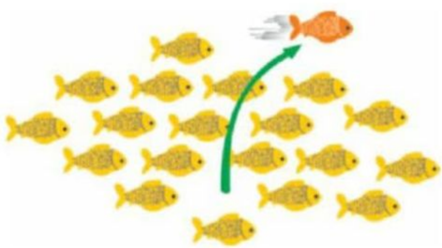
CREATING PROFITABLE BONDS

HERE IS WHY

Domain expertise in sealants and adhesives

Increasing demand for products

Steady rise in profits



LOW

PRICED SCRIP

1 YEAR INVESTMENT HORIZON

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

Adhesives are essential in various industries for a wide range of purposes, including bonding surfaces, sealing sinks, tubs and showers, and protecting against water and chloride. The adhesives and sealants market is projected to grow steadily with the prospect of reaching USD 3.8 billion by 2028, with a compound annual growth rate (CAGR) of 7.54 per cent. An increase in construction industry activity is boosting the need for adhesive products like concrete bonding agents, tile adhesives, joint fillers and block adhesives.

The rise in green building projects and emphasis on quality are also accelerating the adoption of construction adhesives and sealants. Owing to this, our low-price scrip recommendation for this issue is HP Adhesives. Founded in 1987, HP Adhesives is a company that specialises in producing and distributing a variety of adhesives and sealants for various applications. These products are primarily used by plumbers, carpenters, masons, trades people and DIY enthusiasts.

HP Adhesives, a company with depots across India, offers a range of products including solvent cement, silicone sealants, ball valves, Teflon tapes, and masking tapes. The company's distribution and delivery are efficient due to the growing demand for new housing and modern construction practices in India. Increasing disposable incomes and government initiatives like Smart Cities Mission and Pradhan Mantri Aawas Yojna are driving demand for affordable housing and infrastructure development, requiring specialty adhesives for construction and maintenance in the retail sector.

Infrastructure development requires high-quality adhesives across various applications, and HP Adhesives is well-suited to meet this demand. The shift towards PVC and CPVC pipes for plumbing and irrigation due to their cost-effectiveness creates a high-growth market for solvent cement – the core strength of HP Adhesives. The Indian automotive market's rapid growth fuels demand for contact adhesives and specific silicone sealants, and the booming furniture and furnishing industry presents a significant opportunity for HP Adhesives' PVA and contact adhesives.

In Q4FY24, on a standalone basis, the revenue of company increased by 2.56 per cent YoY to ₹59.35 crore as compared to ₹57.86 crore from the previous year's same quarter. On a sequential basis, its revenue increased by 8.39 per cent. The PBIDT excluding other income increased by 26.08 per cent to ₹8.86 crore YoY as compared to ₹7.03 crore from the previous year's same quarter, while sequentially increasing by 13.96 per cent.

The net profit stood at ₹5.61 crore compared to ₹3.87 crore, a YoY increase of 44.77 per cent, while sequentially increasing by 7.74 per cent from ₹5.2 crore. Currently, the shares of HP Adhesives are trading at a PE of 43.8 times, which is lower than its three-year median PE of 63.3 times whereas the industry PE stands at 41.4 times. The company has a debt-to-equity ratio of 0.02 times and a three-year average return on equity of 10.2 per cent along with return on capital employed (ROCE) of 13.6 per cent. Considering the aforementioned factors, we recommend **BUY**.

Monthly Stock Market Returns

Shareholding Pattern (%) as of March, 2024	
Promoters	71.35
Institutions	3.80
Public	24.86
Total	100.01

Last Five Quarters (₹/Cr) (Consolidated)					
Particulars	Mar-24	Dec-23	Sept-23	June-23	Mar-23
Net Sales	59.35	54.75	62.6	59.32	57.86
Other Income	0.84	0.62	0.81	0.98	0.59
Operating Profit	9.7	8.39	8.15	7.12	7.61
Interest	0.56	0.18	0.21	0.23	0.43
Net Profit	5.61	5.2	5.24	4.51	3.87
Equity	18.38	18.38	18.38	18.38	18.38

HOT CHIPS
15 DAYS INVESTMENT HORIZON

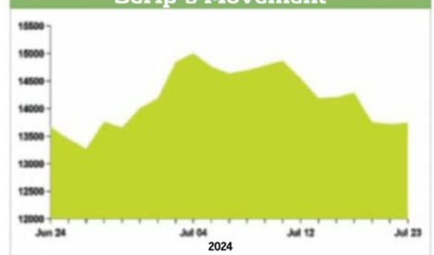
The scrips in this column have been recommended with a 15-day investment horizon in mind and carry high risk. Therefore, investors are advised to take into account their risk appetite before investing, as fundamentals may or may not back the recommendations.

PTC INDUSTRIES LTD
CMP - ₹13,748.00

BSE CODE	Volume	Face Value	Target	Stoploss
539006	751	₹10	₹14,848 - ₹15,123	₹12,876 (CLS)

The company has been manufacturing engineering components for critical and supercritical applications in industries such as defence, oil & gas, LNG and ships & marine for the last 50 years. It exports products to various countries worldwide, serving renowned customers like Rolls Royce, Siemens, among others. The company's consolidated annual financial performance demonstrated impressive growth, with revenue soaring by 17.16 per cent from ₹219.26 crore in FY23 to ₹256.88 crore in FY24. Net profit also witnessed a significant surge, growing by 63.53 per cent to ₹42.22 crore, up from ₹25.82 crore the previous year. The company has recently approved raising funds up to ₹700 crore through QIP. It has also announced a partnership with leading entities in the Indian defence and aerospace sector to advance the 'Make in India' initiative. Given the government's emphasis on domestic manufacturing and the optimistic outlook within the defence sector, we foresee significant upside potential. Consequently, we recommend **BUY.**

Scrip's Movement



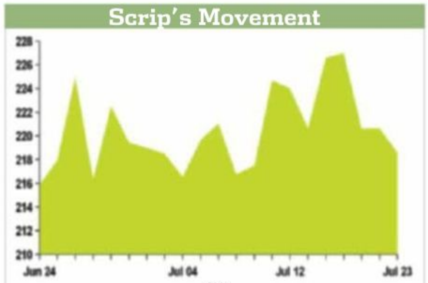
Last Seven Days' Volume Table (No. of Shares)

Days	Volume
Jul 15, 2024	1,888
Jul 16, 2024	1,033
Jul 18, 2024	266
Jul 19, 2024	1,350
Jul 22, 2024	2,256
Jul 23, 2024	751

JTL Industries Ltd
CMP - ₹218.60

BSE CODE	Volume	Face Value	Target	Stoploss
534600	46,146	₹2	₹236 - ₹240	₹203 (CLS)

Scrip's Movement



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

Days	Volume
Jul 15, 2024	49,499
Jul 16, 2024	64,111
Jul 18, 2024	66,988
Jul 19, 2024	66,609
Jul 22, 2024	45,796
Jul 23, 2024	46,146

The company is one of the largest producers of Electric Resistance Welded (ERW) steel pipes and among the top section pipe and tube manufacturers in India, with a production capacity exceeding 6 lakh metric tonnes per annum. It offers over 1,000 SKUs in this segment and has a global footprint spanning five continents and more than 20 countries. When assessing the company's financial performance, on a consolidated basis, there was an impressive net profit growth of around 21 per cent, surging from ₹25.37 crore in Q1FY24 to ₹30.70 crore in Q1FY25. Revenue saw modest growth, reaching ₹515.38 crore compared to ₹504.80 crore in the corresponding quarter of the previous year. The company recently announced the opening of its fundraising initiative through the issuance of QIPs. Sales volume increased by 10.8 per cent year-on-year to 85,674 MT in Q1FY25. The first phase of Nabha Steels and Metals, commercialised in June, contributed 10,726 MT to the total sales. Considering the potential for consistent growth, we recommend **BUY.**

(Closing price as of July 23, 2024)

NIFTY Index Chart Analysis

MOVING TOWARDS A CORRECTION

The Union Budget has introduced several proposals that will affect the investment gains. They mark an increase in LTCG and STCG along with the STT for futures and options. Historically, whenever the government has increased the capital gain taxes, the market has reacted negatively. The equities reacted sharply soon after the budget proposals but recovered by the end of the day. The Nifty is trading below the previous week's shooting star candle and indicates potential for reversal if it closes below 24,504 by the end of the current week.

Roadmap for the Next 15 Days			
Ideas	**Nifty Levels**	**Action to be Initiated**	**Probable Targets**
Resistance for the medium-term	24,600	Close above the level of 24,600 would be positive for Nifty	24,855 — 25,000
Support for the medium-term	24,504	Any slip below 24,504 on a closing basis would result into resumption of down move.	24,311 — 24,000

Nifty closed at a very crucial support of 8 EMA for the second day. On a budget day, which can give a directional bias to the economy and markets, Nifty has given weaker and shaky signals in all the timeframes. It formed a shooting star last week and was trading below a sizeable bearish candle on the daily chart. On an hourly chart, the moving average ribbon is in the downtrend. Nifty closed at the rising wedge pattern's resistance line on the monthly chart. Several times, Nifty has formed this kind of bearish pattern in history, just before a major correction.

Since the last two years, the index has not witnessed any major corrections. Apart from the price patterns, the major indicators are in the extreme zone and indicate a probable correction. On the monthly chart, Nifty had formed a rising wedge pattern after the 2014-19 period of a bull run. In the rally from the low of March 2020 and to date, the rising wedge pattern is clearly visible. Earlier, Nifty declined sharply because of the corona virus pandemic worldwide. Currently, it is trading at the resistance of this bearish pattern.

The monthly RSI reached above the extreme 80 zone. In the past, in 2008 and 2015, it reached above 80 and was significantly corrected by 64.56 per cent and 25.15 per cent, respectively. In October 2021, the RSI reached the 79.45 zone and the index corrected by 18.39 per cent. Though the RSI did not reach the 80 zone in 2019, it formed a negative divergence. The 2009, 2015 and 2016-2019 bull runs were steady at about 45 degrees. This strong uptrend did not witness major corrections because of their degree of rise.

The rally from the 2020 low is impulsive, with one major correction of 18.39 per cent during 2021-22. Usually, the impulsive trends undergo a counter-trend consolidation. At the same time, Nifty had Category 2 corrections of over 13 per cent every two years. The two-year cycle is due now. With this evidence, the probability of a major correction is high. If the correction begins, Nifty may test the zone of 21,350-21,800, which implies a 10-13 per cent correction.

On the daily chart, the index formed a bearish candle last Friday and traded below that candle for the last two days. It escaped the distribution day on Friday and on budget day as the volume was a little less than the previous day, and the fall is limited to less than 0.25 per cent. The MACD has given a fresh bearish signal after June 4. The RSI sharply declined to 63.32 from 77.49, which shows a significant change in momentum.

The index must close below 24,504 at the weekend for a confirmed reversal signal. The 20 DMA support is placed at 24,311, and the 50 DMA is at 23,460. On the other hand, Nifty sustaining above the level of 24,600 would be positive and we may see a new all-time high above 24,855. As the index looks overstretched, it is better to avoid fresh long positions. Once the dust settles, Nifty will form a base in the counter-trend and wait for a breakout to take fresh long positions.

STOCK RECOMMENDATIONS

BALU FORGE INDUSTRIES .... BUY .... CMP ₹409.95

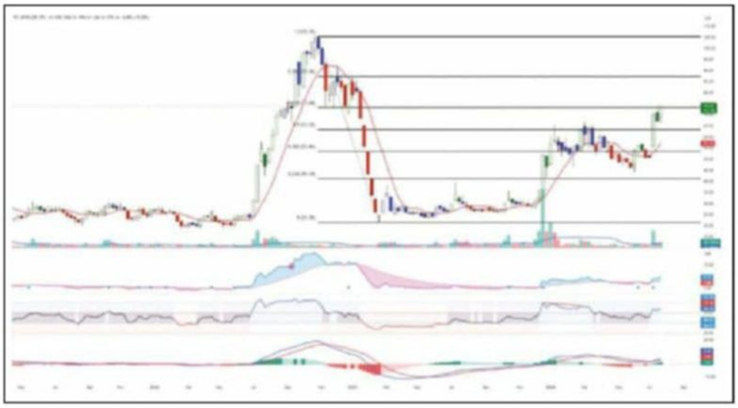
BSE Code : 531112 | Target 1 .... ₹484 | Target 2 ..... ₹530 | Stoploss....₹365 (CLS)

The company was set up in 1989 by Prehlad Singh Chandok as a proprietary firm. In August 2020, it was acquired by Amaze Intertech Limited and converted into a listed entity by the name Balu Forge Industries Ltd. (BFIL). It is based in Mumbai and manufactures various types of crankshafts in a large range of applications for such sectors as automotive, agricultural, marine and industrial in Karnataka. It is promoted by Jaspal Singh Chandok, Trimaan Chandok and Jaikaran Chandok who look after the overall business operations of the company.

The stock is trading near an all-time high and registered a bullish breakout five weeks ago. It has been in counter-trend consolidation for the last two weeks. Its relative strength line is at a new high, showing an outperformance compared to the broader market. It is trading above all the long-term and short-term moving averages with all the moving averages in an uptrend. It is 43.94 per cent above the 40-week average and 14.69 per cent above the 10-week average. The weekly MACD is showing strong bullish momentum. The RSI is in a strong bullish zone. The KST has been in a bullish setup. Its relative performance line is above the 21 EMA. The stock is above the Ichimoku cloud. In short, the stock is trading near an all-time high. Buy this stock in the zone of ₹400-410. Maintain a stop loss at ₹365. The short-term to medium-term target is placed at ₹484-530.

PC JEWELLERS LIMITED .... BUY .... CMP ₹70.63

BSE Code : 534809 | Target 1 ..... ₹88 | Target 2 .... ₹105 | Stoploss....₹55 (CLS)



Established in 2005, Delhi-based PC Jewellers (PCJ) manufactures, and retails and exports jewellery. The product range includes gold, diamond and other jewellery and silver articles. The company focuses on providing an unparalleled jewellery buying experience with easy returns, free shipping, certified jewellery and transparent pricing. With a young team dedicated to innovation and customer satisfaction, PC Jewellers meets the needs of today's on-the-go consumers.

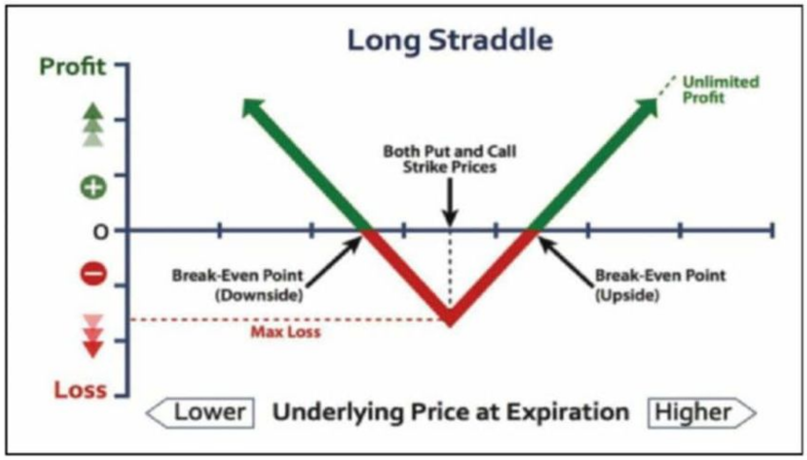
The stock has hit a new 52-week high. For the last two days it has recorded above-average volume. Two weeks ago, it broke out of a 24-week cup pattern with a massive volume. Its relative price strength is at 85, and the new high shows an outperformance compared to the broader market. Its relative performance line is above the 21 EMA. The stock is trading above all the key moving averages. All the long-term and short-term averages are in an uptrend. The stock is 46.75 per cent above the 40-week average and 29.74 per cent above the 10-week average. The weekly MACD histogram shows an increased bullish momentum. The RSI is in a strong bullish zone. It is above the anchored VWAP resistance and above the Ichimoku cloud. The Bollinger bands have begun to expand, indicating more upside in the stock. The KST is about to give a bullish signal. The Stochastic RSI has been in a bullish setup. The stock is also trading above the 61.8 per cent retracement level of the prior fall. In short, the stock has transitioned into Stage II. But this stock is above the ₹68.50-75 zone. Maintain a stop loss at ₹55. The short-term and medium-term targets are at ₹88 and ₹105.

*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 23, 2024)

Disclaimer : Above recommendations are based on various technical parameters and any fundamental input has not been considered for the recommendations. Follow strict stop loss for the recommendation.

All About Long Straddle: Playing The Volatility



The equity derivatives segment is one of India's fastest-growing industries, but literacy rates in this area are lagging. According to the Securities Exchange Board of India (SEBI), about 90 per cent of futures and options (F&O) traders lose money, meaning only 10 per cent are successful. Everyone aspires to be in that 10 per cent. To achieve this, understanding how to make profits like those successful traders is crucial.

It's well-known that the probability of making money as an option buyer is lower than as an option seller. However, option selling isn't feasible for everyone due to the higher margin requirements. This is where option spreads come into play, offering safety with a increasing probability of winning.

There are three types of spreads: unidirectional, bullish and bearish. Interestingly, over 10 million combinations can be created from these option spreads. We aim to explore the world of option spreads. Let's begin with a unidirectional option spread strategy called the 'long straddle'.

Understanding Long Straddle

The basic terminologies to understand long straddle are:

- **Call Option** — Gives the buyer the right, but not the obligation, to purchase the underlying asset at the strike price before the option expires. Call options generally used by those traders who are bullish on the underlying.
- **Put Option** — Gives the buyer the right, but not the obligation, to sell the underlying asset at the strike price before the option expires. Put options generally used by those traders who are bearish on the underlying.
- **Strike Price** — The price at which the call and put options can be exercised.
- **Expiration Date** — The date on which the options expire.
- **ATM (At-The-Money)** — The option's strike price is approximately equal to the current market price of the underlying asset.
- **ITM (In-The-Money)** — The option has intrinsic value; for a call, the strike price is below the market price, and for a put, the strike price is above the market price.
- **OTM (Out-Of-The-Money)** — The option has no intrinsic value; for a call, the strike price is above the market price, and for a put, the strike price is below the market price.

The long straddle is an options trading strategy used by traders who believe an underlying asset will experience significant volatility but are unsure of the direction. Expecting a big move in either direction from the current market price, this strategy involves buying both an ATM call and a put option for the same underlying asset, with the same strike price and expiry. For example, if Reliance Futures is trading at ₹3,000, then for a long straddle, you should buy an ATM 3,000 strike call and put option of the same expiry.

- **Call Option:** Buys the right to purchase Reliance at ₹3,000.
- **Put Option:** Buys the right to sell Reliance at ₹3,000.

This strategy profits if the underlying asset's price makes a significant move in either direction. The potential loss is limited to the total premium paid for the options, while the profit potential is theoretically unlimited on the upside and substantial on the downside.

Break-Even Points

Break-even points are the price levels at which the position will neither make a profit nor a loss after accounting for the cost of the spread. The long straddle strategy has two break-even points, and it will start yielding profits if the price moves further away from these break-even points.

- **Upper Break-Even Point:** Strike Price + Total Premiums Paid
- **Lower Break-Even Point:** Strike Price – Total Premiums Paid

For example, if we bought Reliance 3,000 call at ₹100 and put at ₹80, then our break-even points are:

- **Upper Break-Even Point:** 3,000 + 100 = 3,100
- **Lower Break-Even Point:** 3,000 – 80 = 2920

This means our position will start yielding profits once Reliance moves beyond the zone of 3,100 and 2,920. If it remains between these levels until expiry, our maximum loss will be the total premium paid, which is 100 + 80 = ₹180.

Drawback

The underlying asset must experience significant moves beyond the break-even points before the expiry to make the strategy profitable. If the asset remains relatively stable and doesn't move significantly in either direction, the strategy will result in a loss equal to the total premiums paid.

Payoff Structure

The payoff for a long straddle strategy depends on the price of the underlying asset at expiry. Here's how it works:
At Expiry:

If the underlying price is much higher than the strike price:

- The call option will be in the money, resulting in a profit.
- The put option will expire worthless, resulting in a loss.
- Net Payoff: Call option profit - put option premium paid.

If the underlying price is much lower than the strike price:

- The put option will be in the money, resulting in a profit.
- The call option will expire worthless, resulting in a loss.
- Net Payoff: Put option profit - call option premium paid.

If the stock price is close to the strike price:

- Both the call and put options may expire worthless or have very low intrinsic value.
- Net Payoff: Call option premium paid + put option premium paid.

For example view for executing the strategy: expecting a big explosive move in the index.

Assumptions:

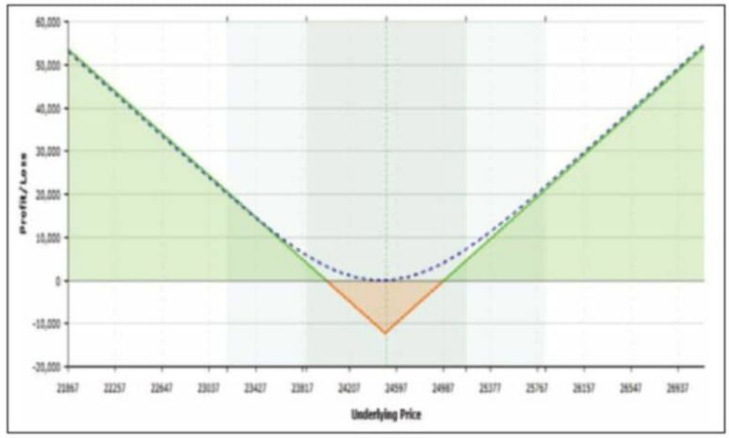
- Nifty current market price is 24,500
- 24,500 CE price is 260
- 24,500 PE price is 230
- Considering July 25, 2024 expiry

To execute the long straddle strategy, we will choose 24,500 strike CE and PE. Considering buying both of the options, the following table and diagram will be helpful to understand the payoff:

Pay Off Table

Underlying Price	Spread Value	24500 CE	24500 PE
23500	510	-260	770
23600	410	-260	670
23700	310	-260	570
23800	210	-260	470
23900	110	-260	370
24000	10	-260	270
24100	-90	-260	170
24200	-190	-260	70
24300	-290	-260	-30
24400	-390	-260	-130
24500	-490	-260	-230
24600	-390	-160	-230
24700	-290	-60	-230
24800	-190	40	-230
24900	-90	140	-230
25000	10	240	-230
25100	110	340	-230
25200	210	440	-230
25300	310	540	-230
25400	410	640	-230
25500	510	740	-230

Pay Off Diagram –



Breakeven Points and Position Management for Long Straddle

Breakeven Point Zone

The breakeven point zone for the long straddle strategy will be between 24,000 and 25,000 levels.

Profit and Loss Scenarios

- **Profit Zone:** Once Nifty moves beyond the breakeven point zone (either above 25,000 or below 24,000), the position will start showing profits. The farther Nifty moves from the breakeven points, the higher the potential profits.
- **Loss Zone:** If Nifty remains within the breakeven zone (24,000 to 25,000), the position will incur losses. The maximum loss occurs if Nifty closes at 24,500, where both options will expire worthless, resulting in the total premium paid being the loss.

Exit Strategy

You can book the profits once the underlying meets your targets, if the targets of the position are not met and the underlying remains in the breakeven zone, it is advisable to exit the position by the one week before the expiry. This is because the premium decay accelerates as expiry approaches, which can erode the value of the position rapidly. By carefully monitoring the Nifty levels and the breakeven zone, you can manage the long straddle position effectively to maximise profits or minimise losses.

Conclusion

The long straddle strategy involves buying both call and put options at the same strike price, expecting significant volatility. Breakeven points are the strike price plus/minus total premiums paid. Profit starts to occur if the underlying moves beyond these points; losses occur if it remains within the breakeven zone. Exiting near expiry is crucial. By understanding and monitoring these aspects, traders can effectively utilise the long straddle strategy to capitalise on expected volatility.

Jubilant FoodWorks Limited

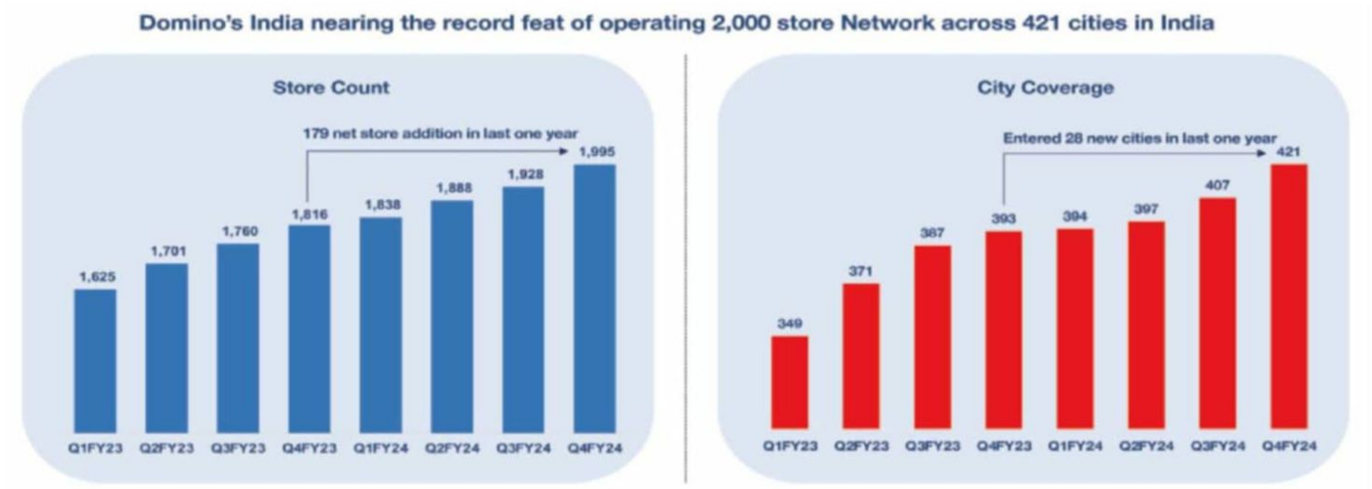
AMBITIOUS EXPANSION PLAN TO TRIGGER GLOBAL GROWTH

Jubilant FoodWorks boasts a diverse portfolio of brands and in India alone it operates 1,995 stores across 421 cities, underscoring its dominance and rapid growth within the food service sector

Jubilant FoodWorks Limited (JFL), part of the Jubilant Bhartia Group, stands as one of India's largest and fastest-growing food service companies. Incorporated in 1995 and commencing operations in 1996, JFL has established itself as a prominent player in the food service industry, particularly within the emerging markets. The company's extensive network comprises 2,991 stores across six countries: India, Turkey, Bangladesh, Sri Lanka, Azerbaijan and Georgia. Over the past year, JFL has significantly expanded, adding 356 stores to its network.

JFL boasts a diverse portfolio of brands, holding franchise rights for three global brands—Domino's, Popeyes and Dunkin'—and operating two proprietary brands: Hong's Kitchen, an Indo-Chinese quick service restaurant (QSR) in India, and COFFY, a café brand in Turkey. In India alone, JFL operates 1,995 stores across 421 cities, underscoring its dominance and rapid growth within the food service sector. With a strong presence in the emerging markets and a strategic focus on expansion, JFL continues to leverage its brand portfolio to cater to diverse food market segments, reinforcing its position as a leading food service company.

Dominance in the Market



Jubilant FoodWorks demonstrates significant market dominance across multiple countries, underpinned by an extensive network of stores and strategic expansion plans. In India, Jubilant FoodWorks holds the top market position with 1,995 stores, showcasing its substantial reach and influence. Similarly, in Turkey, Jubilant FoodWorks maintains the top rank with 700 stores, underscoring its leadership in this market. Bangladesh also sees Jubilant FoodWorks in the leading position with 28 stores. In Sri Lanka, Jubilant FoodWorks is ranked second with 30 stores. Meanwhile, in Azerbaijan and Georgia, Jubilant FoodWorks is ranked third and second respectively, with 10 and seven stores, indicating growing influence in these regions.

The medium-term potential for expansion is promising. In India, Jubilant FoodWorks aims to grow its network to 4,000 stores, reinforcing its market leadership. In Turkey, it has in place a plan to expand to 1,200 stores, which will further solidify its top position. Bangladesh's potential growth to 200 stores will continue to establish Jubilant FoodWorks' dominance. In Sri Lanka, the target is to reach 100 stores, enhancing its market presence. Azerbaijan and Georgia also present growth opportunities, with expansion plans to reach 25 and 10 stores, respectively, thereby increasing market influence.

Financials

FY24

In the fiscal year, Jubilant FoodWorks Limited (JFL) demonstrated robust financial performance. The company reported a 9.6 per cent increase in consolidated revenue, reaching ₹5,654 crore. Its gross profit for the year stood strong at ₹4,313 crore, maintaining a commendable gross profit margin of 76.3 per cent. However, despite these gains, the operating EBITDA margin saw a year-on-year decline from 22 per cent to 20 per cent. This reduction was attributed to operational deleverage and increased investments in brand development initiatives. The operating EBITDA amounted to ₹1,143 crore, underscoring JFL's operational efficiency despite margin pressures. The company generated a profit after tax (PAT) of ₹400 crore, reflecting a PAT margin of 7.1 per cent.

Q4FY24

In the latest quarter, JFL has reported impressive financial results, with consolidated revenue soaring by 23.9 per cent year-on-year to ₹1,573 crore. The company's robust operational management was evident as its operating EBITDA stood strong at ₹310 crore while achieving a PAT margin of 13.3 per cent and delivering a PAT of ₹208 crore. The Indian market played a pivotal role, contributing 84.65 per cent of the total revenue, while the remaining 15.35 per cent came from the international markets.

The company's revenue from operations in India reached ₹1,331 crore, marking a 6.3 per cent growth driven by a 4.9 per cent increase in Domino's India sales. Despite a challenging environment, Domino's India achieved a slight 0.1 per cent like-for-like (LFL) sales growth, with Domino's Delivery LFL sales notably rising by 7.8 per cent. The introduction of new brands contributed 1.4 per cent to the overall growth, showcasing JFL's successful diversification efforts within the domestic market.

Internationally, its revenue from operations totalled ₹243 crore, driven by contributions from Turkey, Azerbaijan and Georgia, which collectively accounted for ₹217 crore over the quarter. Domino's Bangladesh reported revenue of ₹13 crore, marking a substantial 52.1 per cent increase attributed to expanded network presence and enhanced operational efficiencies. Similarly, Domino's Sri Lanka recorded revenue of ₹12 crore, reflecting a 4.1 per cent growth. JFL expanded its global footprint by adding a total of 23 new stores across the international markets, reinforcing its market position and growth strategy abroad.

Growth Triggers

- In Bangladesh, JFL expanded its footprint significantly, increasing its store count from 17 to 28 within a year. This expansion underscores the company's commitment to tapping into Bangladesh's burgeoning market potential.
- In Turkey, JFL's café brand, COFFY, has emerged as one of the fastest-growing and profitable café brands, currently

ranking as the eighth-largest in the country. With ambitious targets, JFL aims to elevate COFFY to the fifth-largest café brand in Turkey by the end of 2024, leveraging its strong market presence and growth strategy.

- The rapid expansion of Popeyes, a globally recognised QSR brand, continues with JFL's entry into new cities. This expansion strategy aims to capitalise on Popeyes' established brand equity and meet increasing consumer demand.
- Furthermore, JFL is diversifying its portfolio through the introduction of new brands in categories such as chicken, coffee and Chinese cuisine. This strategic diversification initiative aims to expand occasion and category shares, catering to evolving consumer preferences and strengthening JFL's competitive edge in the dynamic food service industry.

Management Guidance

- JFL is prioritising volumetric growth and market share expansion under focused management strategies.
- The company aims to optimise costs across its operations to enhance profit margins. In India, JFL plans to add 180 new Domino's stores to bolster its market presence and cater to increasing consumer demand.
- In Turkey, the company aims to establish 50 new Domino's stores and 70 additional COFFY outlets, leveraging the growing café culture. In Bangladesh, JFL plans to add 20 new Domino's stores to capitalise on the emerging market opportunities. Domestically, the focus is on introducing 50 new Popeyes' locations and 25 Hong's Kitchen outlets, diversifying the brand portfolio strategically.

Shareholding Pattern

Promoters hold 41.94 per cent, FIIs hold 23.24 per cent, DIIs hold 25.86 per cent, the government holds 0.2 per cent and the rest 8.42 per cent is held by public investors.

Valuation

Looking at the price to earnings (PE) ratio, the company at 148 times PE looks relatively cheaper than its peers like Devyani International, Westlife Food and Sapphire Foods. The company's EV | EBITDA at 35.8 times also is at moderate levels compared to these peers. It is constantly able to grow its operating cash flow. JFL is also operating with negative working capital requirements. Overall, we believe the company is trading at moderate levels.

Potential Risks

- Increase in cheese prices, which is a major raw material for the company.
- Increasing competitive landscape due to a rise in local players.

Conclusion

Jubilant FoodWorks Limited stands as a dominant force in the pizza market across India and in selective international markets. The valuation of the stock also looks justifiable with ambitious plans for store expansions and a proven ability to generate robust operating cash flows. Considering these factors, we recommend **BUY.**

How To Invest In An Ageing Bull Market

Bull rallies (periods when stock prices rise) and bear declines (periods when stock prices fall) are natural parts of stock market cycles, but they don't follow a fixed timeline. Within a bull market, various phases occur at different times. One of these phases is known as the ageing bull phase. Vaishnavi Chauhan sheds light on what investors should do during such a period.

Investors have been watching with excitement as stocks soar to new heights and the markets hit all-time highs. The Indian markets have experienced a rally like never before, and with the upcoming Union Budget, there's even more for investors to anticipate. However, just as the saying goes that 'nothing is permanent', there's a rumour among investors that the market might be heading toward an ageing bull phase.

What is an Ageing Bull Phase?

First, let's understand what an ageing bull phase means. Bull rallies (periods when stock prices rise) and bear declines (periods when stock prices fall) are natural parts of stock market cycles, but they don't follow a fixed timeline. Within a bull market, various phases occur at different times. One of these phases is known as the ageing bull phase. An ageing bull market typically refers to a stage filled with excesses, where stocks continue to climb, even though there are warnings to be cautious. In this environment, there is a mix of excitement and nervousness among investors.

Some believe the rally will continue, while others fear that the market may soon reverse course. The sense of excitement comes from watching investments grow, but the nervousness stems from the uncertainty of how long the growth will last. Some investors are optimistic – predicting that the rally will go on while others are more cautious, believing the market might soon decline. The current stock market conditions are showing signs of an ageing or mature bull market. Now in its fourth consecutive year, the bull rally has seen the Sensex and Nifty continue to strengthen, surprising even seasoned investors.

Impact on Equity Markets

What does this mean for the future of the equity markets in India? Should investors continue to invest in equities? While the rise in main indices led by blue-chip stocks may not be surprising due to their past underperformance, it's the significant increase in mid-cap and small-cap indices in 2024 that is out of the ordinary. Several investors locked in profits as early as late 2023 or early 2024, believing the smaller stocks were already too hot. They underestimated the market's bullish momentum. Now, watching from the sidelines as equities climb higher, there's growing anxiety about missed opportunities.

Many are asking investment advisors if they should invest lump sums to catch the momentum. In fact, several investors have jumped in after the election results, buying shares of the best-performing PSUs to ride the bullish wave. A fund manager called this "bear fatigue", a subtle sign of an ageing bull market. Now, investors might be wondering which companies they should invest in next. Well, the answer remains the same: fundamentally strong stocks! Let's quickly explore how to identify fundamentally strong stocks, mitigate the risk of losing funds, and allocate capital wisely.

Navigating the Stock Market

Investors are always on the lookout for stocks that are well-positioned in terms of valuation. It's crucial to focus on stocks that aren't overvalued. For instance, if a stock has already seen a significant price increase, the chances of it breaking its all-time high again are slim, as the potential gains have likely been factored in already. Looking back at the market performance from 2019 to 2020, the financial services sector experienced a notable boom. Following that, from 2020 to 2022, energy stocks took the spotlight. It's unrealistic to expect these same sectors to outperform again soon as the market has already accounted for their past performance.

Anticipating New Sectoral Opportunities

With the upcoming budget and the current phase of the bull market, we can expect new sectors to come into focus. Sectors like railways, textiles and specialty chemicals might be the next big performers. Investors should pay attention to stocks within these sectors, especially those that have received government incentives. Additionally, stocks that have been stagnant for a long period could present new opportunities for profit if there's a turnaround event.

Maintaining Liquidity and Portfolio Rebalancing

In this phase of the market, it's wise for investors to maintain a reasonable amount of liquid cash. This liquidity will be useful if the market corrects, allowing investors to buy stocks at lower prices. Rebalancing your portfolio is essential. Consider shifting funds into new sectors that show potential for growth.

Risk Diversification

Diversification is a key strategy in managing a portfolio. With blue-chip stocks, the expectations for significant outperformance are lower. Instead, investors should allocate their funds across small-cap, mid-cap and large-cap stocks in proportion to their risk tolerance. This approach helps spread risk and increases the chances of capitalising on growth in different market segments.

Importance of Valuation

Valuation is a critical factor in stock selection. Investors should aim for stocks that are appropriately valued, avoiding those that are overpriced. A stock that has already risen significantly might not have much room to grow, as its potential gains have been discounted by the market. There are a few additional steps to consider balancing opportunities and managing risks effectively in an ageing bull market. First, keep an eye on financial news, company reports and economic indicators to understand what's driving the market sentiment. However, avoid making impulsive decisions based on excitement or fear. Staying rational is crucial.

Secondly, avoid the herd mentality. It can be tempting to follow the crowd in a positive market, but blindly investing in trending stocks or sectors is risky. Conduct thorough research and focus on due diligence before making investment decisions. Pay attention to the long-term fundamentals of companies rather than chasing short-term gains. Furthermore, quality is the key. Look for companies with strong financials, a consistent growth track record, competitive advantages, solid management and a clear growth strategy.

Quality companies tend to perform well in various market conditions and are more likely to weather downturns. Consider dividend-paying stocks. These can be appealing in a positive market as they provide a source of income and tend to be more stable during market volatility. Adding dividend stocks to your portfolio can offer a steady income stream. Finally, stay disciplined. Emotions can run high in a positive market, leading to impulsive decisions. Stick to your investment plan, avoid overtrading, and focus on your long-term financial objectives.

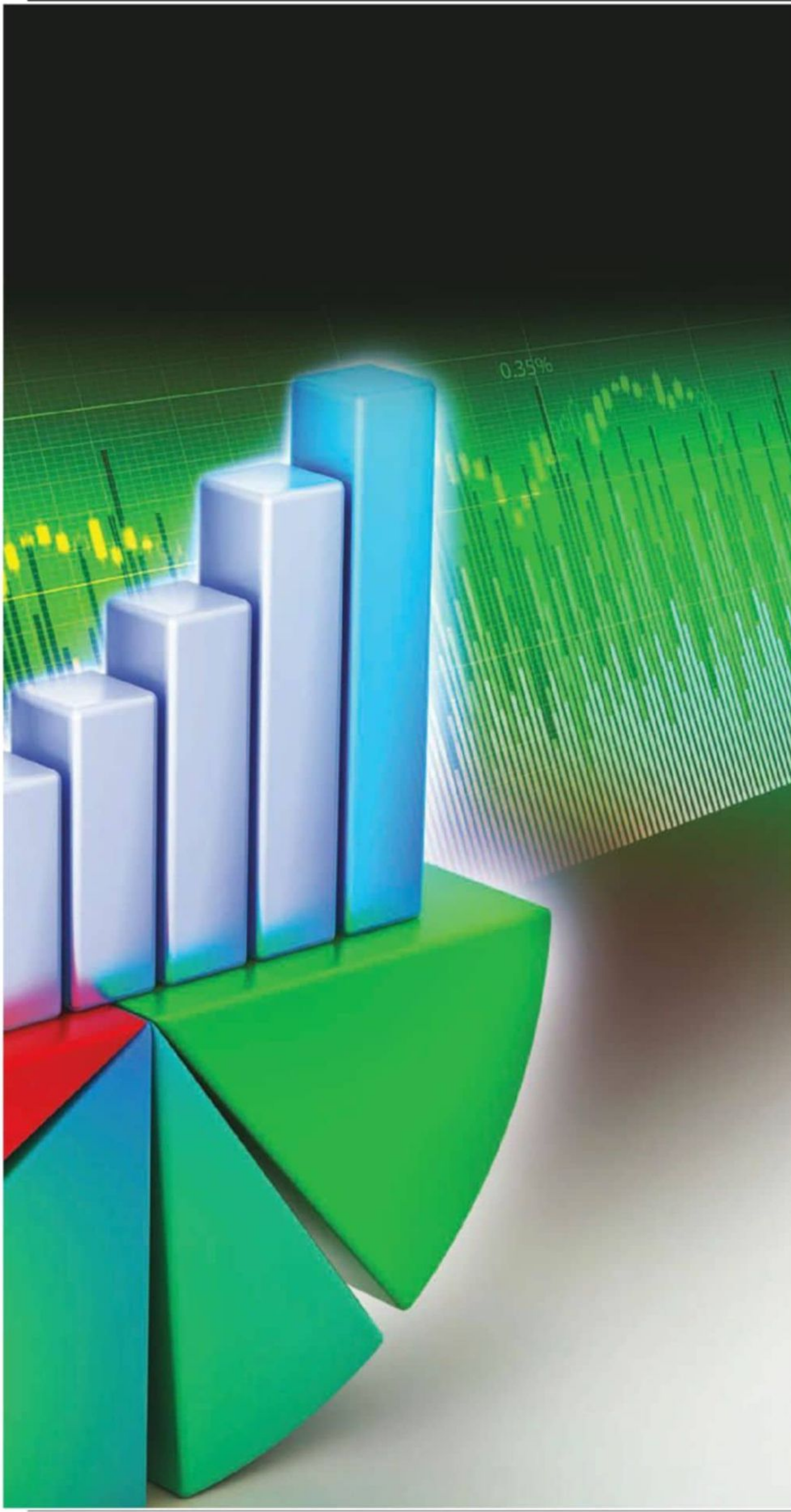
> **"The longer the bull market lasts, the more severely investors will be affected with amnesia; after five years or so, many people no longer believe that bear markets are possible."**
>
> **— Benjamin Graham**

Conclusion

What does this backdrop mean for investors? An ageing bull market doesn't mean the positive cycle is over. Market reversals are usually triggered by a recession or an unexpected global event, often called a Black Swan. Most global market participants don't foresee a drastic worsening of economic conditions, especially in the U.S., despite record-high interest rates. Many expect the U.S. Federal Reserve to start cutting interest rates if job data weakens, which could boost emerging market equities, including those of India.

This doesn't mean investors should avoid equities. Instead, it calls for fine-tuning portfolios and reducing risks, particularly in smaller shares, as the margin of safety shrinks with rising markets. Actively managed equity funds, especially large-caps, might struggle to outperform their benchmarks when fewer stocks drive the market. In such cases, index funds and ETFs could be better options for capturing the upside. Although a Black Swan event is unpredictable, managing risks in an ageing bull market, while challenging, will benefit investors.

Q1FY25: Earnings & Economic Outlook



India's economic resilience has outperformed other economies, as evidenced by much controlled inflation, revised upward GDP targets, record reserves, strong tax collections and fiscal discipline. Meanwhile, the markets continue to hit record highs, leading investors to question whether a market correction is imminent or if robust earnings and future growth prospects will justify the elevated valuations. **Mandar Wagh** examines Q1FY25 financial performances and key developments to provide insights into the future direction of the market

India's divergent growth trajectory compared to other emerging markets and the world's major economies is now a well-known phenomenon. FY24 has truly been a standout year for the Indian stock market! The BSE Sensex and Nifty 50 have delivered impressive returns of around 25-28 per cent over the period. The overarching investor optimism was evident across both the broader markets and on the sectoral fronts. Consequently, India's market capitalisation has soared to USD 5 trillion, making it the fifth-largest in the world. The market adeptly managed the turmoil triggered by fears of a potential market bubble burst, swiftly recovering and rebounding with resilience.

Although the Indian equity valuations remain relatively high, experts believe this alone is unlikely to derail the bull market, provided they are supported by robust growth prospects in a global environment of subdued growth. Therefore, all eyes are on the ongoing Q1FY25 performances of the Indian companies, as these will provide key insights for investors in forecasting both the market's future outlook and individual company prospects. Let's examine the key macroeconomic factors that will significantly influence the economic environment and investment decisions, and then analyse sectoral and company-specific performances to gain a clearer understanding of the current developments.

Q1FY25 Performance At a Glance

Particulars	Percentage/Numbers
Revenue Growth YoY %	10.13
Net Profit Growth YoY %	20.15
Operating Profit Growth YoY %	17.84
EBIT Growth YoY %	20
Oper. Profit Margin Growth YoY %	2.31
No. of companies that have announced results	305
Positive Profit Growth	211
Negative Profit Growth	94
Pending companies results	3942

Comprehensive Economic Outlook

Inflation and Interest Rates — At the outset of FY24, the Reserve Bank of India (RBI) was focused on bringing down high inflation levels within its tolerance band of 2-6 per cent. To achieve this, the RBI adopted a cautious approach to interest rates, maintaining the repo rate at 6.5 per cent. This strategy aimed to strike a balance between fostering economic growth and controlling inflation, thus supporting consumer spending and business investments while ensuring price stability.

Throughout FY24, inflation rates moderated and fell within the RBI's comfort zone, reflecting the effectiveness of the monetary policy measures. For fiscal 2024, inflation stood at 5.4 per cent, aligning closely with the central bank's forecast. Looking ahead, the RBI has set an inflation target of 4.5 per cent for fiscal 2025, maintaining a steady approach towards price stability.

GDP Growth — India's GDP growth for FY24 has been impressively robust, with projections ranging between 6.5 per cent and 7 per cent. The Asian Development Bank's (ADB) July report highlighted that India's services sector continued its strong expansion into Q4FY24, with the forward-looking services PMI significantly exceeding its long-term average. This growth trajectory is bolstered by robust domestic consumption, increased government infrastructure spending, and resurgence in private investment.

Looking ahead, the ADB has forecasted a growth rate of 7 per cent for FY25 and 7.2 per cent for FY26. Similarly, the International Monetary Fund (IMF) has recently revised its FY25 GDP growth estimate for India upward from 6.8 per cent to 7 per cent. Morgan Stanley has also conveyed optimism about India's economic growth prospects, maintaining its GDP growth rate projections within the expected range.

Manufacturing Activity — India's industrial growth has significantly been driven by several key government initiatives, including Make in India, Production Linked Incentive (PLI) scheme, the emphasis on self-reliance, industrial corridors and smart cities, and infrastructure development. According to an S & P Global survey, propelled by increased new orders, rising inventories and job creation, India's manufacturing activity surged to a 16-year high of 59.1 in March. According to data from the Ministry of Statistics and Programme Implementation, India's Index of Industrial Production (IIP) surged 5.9 per cent year-on-year in May, up from 5 per cent in April.

Record Reserves, Tax Collections and Fiscal Discipline — India's foreign exchange reserves have maintained a strong upward trajectory. According to the latest data from the RBI, the country's foreign exchange (forex) reserves surged by USD 5.16 billion, reaching an all-time high of USD 657.16 billion. This robust reserve position offers a vital buffer against external economic shocks and bolsters the stability of the Indian rupee. In May 2024, the RBI announced its approval for the highest-ever surplus transfer of ₹2.11 lakh crore to the central government.

The government is expected to achieve a lower fiscal deficit and higher growth than initially projected in the interim budget, maintaining its focus on fiscal prudence. The fiscal deficit for the year ending in March 2025 could be 5 per cent of GDP or even lower, compared to the 5.1 per cent target set before the national elections. Additionally, both direct and indirect tax collections have remained robust in the first quarter of the current fiscal year. Net direct tax collections grew by 19.54 per cent in FY25, reaching ₹5.74 lakh crore while gross collections saw an even higher increase of 23.24 per cent, amounting to ₹6.45 lakh crore.

Industry Performance Highlights

Information Technology

The Indian IT services industry takes centre-stage as the April-June quarterly earnings season kicks off with the release of IT sector results. In Q1FY25, till July 22, the IT industry achieved a 4 per cent year-on-year growth in aggregate revenue and a 9 per cent rise in net profit, with most companies reporting positive results. While a majority of the leading industry players recorded single-digit growth in both top-line and bottom-line, Persistent Systems and Newgen Software Technologies distinguished themselves with impressive double-digit growth.

To date, Tata Technologies, LTI Mindtree and Tata Elxsi are the only leading companies that have reported a year-on-year decline in net profit. Analysts anticipate that companies will not alter their guidance or commentary regarding FY25 revenue growth. Instead, discussions were expected to focus on a potential increase in demand in the second half of FY25, suggesting a more stable spending environment for FY26. In a surprising turn of events, Infosys not only reported better-than-expected numbers but also raised its revenue growth guidance to 3-4 per cent for the current fiscal year, up from the earlier 1-3 per cent, giving investors an additional reason to celebrate.

Global brokerage firm Nomura is optimistic about the Indian IT industry, forecasting that the April-June quarter will mark a turnaround in its sluggish revenue growth. The firm expects to see a rebound in the subsequent quarters, with margins gradually improving as large deals ramp up and hiring rises in the latter half of FY25. One positive news report that has made headlines is Wipro's announcement of plans to hire 10,000 to 12,000 people, including both on-campus and off-campus hires, for the financial year 2025.

Recent deal wins in the banking, financial services and insurance (BFSI) and communications sectors are projected to gain momentum this quarter, potentially improving growth rates for these segments. Brokerage houses report that while the period of severe discretionary spending cuts in the industry seems to be coming to an end, there is still limited evidence of recovery in the core business activities. With expectations that the Federal Reserve may consider interest rate cuts this fiscal year, the IT industry is likely to receive a much-needed boost.

Banks and Financial Services

The Indian banking industry has emerged as a leading success story, especially following the corona virus pandemic. The stellar growth has been driven by favourable hikes in interest rates for banks, heightened credit demand and expansions in loan portfolios. In the last quarter, banks continued to lead in terms of sectoral growth with no reports of revenue decline. In light of the latest results from the banking industry, all banks have reported significant double-digit growth in both total income and net profit.

In Q1FY25, the industry experienced a 33 per cent year-on-year increase in aggregate revenue and a 41 per cent surge in net profit largely due to better performance of HDFC Bank. Nonetheless, it should be taken with a pinch of salt since HDFC Bank merged with parent Housing Development Finance Corporation in July 2023, and hence its results are not comparable on a year-over-year basis. HDFC Bank saw a 2.1 per cent sequential decline in net profit. Meanwhile, Central Bank of India and Kotak Mahindra Bank led in net profit growth (due to an exceptional item), achieving impressive year-on-year growth of 90 per cent and 80 per cent, respectively.

Foreign brokerage firm CLSA has highlighted that Indian banks are now on much stronger footing, supported by cleaner balance-sheets, robust profits and attractive valuations. CLSA also noted that the return on equity for the Indian banking sector is the highest since FY 2011. Additionally, the net NPL or net worth ratio has dropped to decade lows, thanks to improved asset quality, strengthened provision buffers and a better capital position.

Capital market companies have also performed exceptionally well in Q1, with no instances of negative performance reported so far. Industry majors such as Angel One, Anand Rathi Wealth and Choice International posted stellar double-digit growth and have maintained an optimistic outlook for future growth prospects. Considering the performance of financial services companies, including NBFCs, industry leader Jio Financial Services fell short of market expectations. The company saw net sales rise marginally by about 1 per cent, accompanied by a 5.81 per cent year-on-year decline in net profit. Poonawalla Fincorp and Credit Access Grameen delivered impressive double-digit growth in both revenue and net profit.

Key Developments across Industries

With the majority of companies' financial results yet to be declared, we will now focus on important developments that will help us predict the future trajectory of the market and multiple sectors. Reliance Industries, which holds the highest weightage in Indian benchmarks, missed street estimates and reported a 5.5 per cent year-on-year decline in consolidated profit for the April-June period. The company attributed this decline to weakness in its oil-to-chemicals (O2C) division and higher depreciation costs, which offset gains in its consumer and oil and gas upstream businesses.

Automotive

The automobile industry has experienced robust growth over the past few years but has faced turbulence recently, with the scorching heat wave impacting automobile sales. Although the total electric vehicle (EV) registrations in India reached significant milestones in FY24, the overall penetration rate remains quite low. Additionally, the electric vehicle sector has seen subsidy cuts. On a positive note, the FAME II (Faster Adoption and Manufacturing of Electric Vehicles) policy received a four-month extension, set to expire this month.

As part of the government's green and clean mobility strategy outlined in the interim budget, experts anticipate policy upgrades to support green mobility and EV growth. While budgetary announcements for the industry will shape its future outlook, there are current concerns due to diminishing pent-up demand and a high base. It will also be intriguing to observe investors' reactions to Hyundai's plan to dilute a substantial stake in its Indian unit, as well as the level of investor interest garnered by the upcoming Ola Electric IPO.

Power

There has been a pronounced government focus on power, renewable energy, and notably, solar energy. In the interim budget, the finance minister announced the PM Surya Ghar Yojana, with an allocation of ₹75,021 crore. This scheme aims to provide solar power to 10 million households and create 17 lakh direct jobs across the solar value chain. The government's efforts are directed towards ensuring last-mile connectivity and providing electricity access to all unconnected households in both rural and urban areas.

Additionally, electricity demand growth has remained robust in the first quarter of 2025 due to solid economic activity, intense heat waves and continued electrification. Analysts predict the continuation of strong financial performance by power companies, bolstered by budgetary support for the industry. The data centre market is poised for substantial growth, driven by rapid digital transformation, artificial intelligence (AI) solutions and supportive government policies. Data centres, with their heavy use of electricity, are significantly contributing to the increased demand for power.

Agriculture and FMCG

Food inflation surged to 9.4 per cent year-on-year in June, the highest in six months. Rising food inflation underscores the vulnerability of the Indian economy to price fluctuations, driven by weather conditions, agricultural productivity and supply chain disruptions. The March quarter (Q4FY24) experienced low reservoir levels and heat waves, affecting the overall demand. However, the agriculture industry is expected to rebound amid forecasts for an above-normal monsoon, with strong investment demand led by public investment.

Policymakers have concentrated on farmers and inclusive development to address economic and social challenges. This focus has led to new announcements and subsidies designed to offer relief to the agricultural sector and foster overall development. The recent Union Budget announcements, with a substantial allocation of ₹1.52 lakh crore for agriculture and allied sectors, position the sector for remarkable growth. It outlines initiatives focusing on sustainable practices, digital infrastructure, and increased production.

Additionally, a comprehensive review of agricultural research will be undertaken to boost productivity and develop climate-resilient crop varieties, with 109 new high-yielding, climate-resilient varieties set to be introduced. The Budget also proposes the creation of large-scale vegetable production clusters near major consumption centres to improve the supply chain.

Additionally, optimistic management commentary from companies on the FY25 demand outlook, fuelled by anticipated rural recovery, has improved the prospects for the FMCG industry.

Pharmaceuticals

Pharmaceutical and healthcare companies are experiencing consistent and robust growth due to the essential nature of healthcare, which ensures steady demand regardless of economic conditions. Technological advancements including artificial intelligence, machine learning, digital therapeutics, nanotechnology, telecare and bioprinting are revolutionising the pharmaceutical and healthcare industries. These innovations are driving the sector to new heights, enabling more efficient, precise and accessible healthcare solutions. The US healthcare system has been grappling with a critical issue: a surge in drug shortages.

Stricter audits have uncovered quality control lapses among companies that heavily supply the US market. Shortages of raw materials, coupled with business decisions to discontinue less profitable drugs, particularly older generics, have compounded the problem. Historically, drug shortages have often translated to price hikes, as limited supply drives up demand, giving pharmaceutical companies an opportunity to raise prices for scarce medications. Given the substantial US dependence on medication and intermediate supplies from India, domestic manufacturers and suppliers are well-positioned to leverage this situation.

Although there were no specific announcements in the Union Budget for the pharmaceuticals industry, the budget introduced measures to power innovation, research, and development through the Anusandhan National Research Fund. This fund, with a substantial financing pool of ₹1 lakh crore, aims to support basic research and prototype development. By spurring private sector-driven research and innovation on a commercial scale, it will significantly benefit the highly research-driven drug and pharmaceutical industry.

Railway, Defence and Energy

Railway, defence and energy sectors, particularly green and renewable energy stocks, have experienced unprecedented rallies driven by robust government support, significant budgetary allocations, and a strong focus on the 'Make in India' policy. Despite many stocks in these sectors being potentially overvalued and facing the risk of

Quarterly Results Performance

Company Name	Latest Market Cap (₹ Crore)	Net Sales (₹ Crore)				
		Q1FY25	Q1FY24	Q4FY24	Y-o-Y Growth (%)	Q-o-Q Growth (%)
LARGE CAP						
Reliance Industries	20,30,612.99	2,36,217.00	2,10,831.00	2,40,715.00	12.04	-1.87
Tata Consultancy Services	15,50,784.67	62,613.00	59,381.00	61,237.00	5.44	2.25
HDFC Bank	12,48,340.71	81,546.20	51,168.14	79,433.61	59.37	2.66
Infosys	7,51,745.52	39,315.00	37,933.00	37,923.00	3.64	3.67
HCL Technologies	4,28,189.22	28,057.00	26,296.00	28,499.00	6.70	-1.55
Kotak Mahindra Bank	3,49,332.57	15,836.79	12,868.93	15,156.18	23.06	4.49
Ultratech Cement	3,32,459.50	18,069.56	17,737.10	20,418.94	1.87	-11.51
Avenue Supermarts	3,26,173.44	14,069.14	11,865.44	12,726.55	18.57	10.55
Asian Paints	2,81,289.55	8,969.73	9,182.31	8,730.76	-2.32	2.74
Wipro	2,64,534.49	21,963.80	22,831.00	22,208.30	-3.80	-1.10
Bajaj Auto	2,62,796.09	11,932.07	10,311.91	11,554.95	15.71	3.26
JSW Steel	2,17,229.68	42,943.00	42,213.00	46,269.00	1.73	-7.19
JIO Financial Services	2,16,678.76	417.82	414.13	418.10	0.89	-0.07
LTIMindtree	1,69,302.92	9,142.60	8,702.10	8,892.90	5.06	2.81
HDFC Life Insurance Company	1,37,071.16	12,548.42	11,507.89	20,533.71	9.04	-38.89
Bharat Petroleum Corporation	1,33,755.01	1,28,106.39	1,28,263.56	1,32,086.86	-0.12	-3.01
JSW Energy	1,24,074.08	2,879.46	2,927.85	2,755.87	-1.65	4.48
Indian Overseas Bank	1,22,525.44	6,539.01	5,427.45	6,633.50	20.48	-1.42
Havells India	1,10,873.77	5,806.21	4,833.80	5,442.02	20.12	6.69
Union Bank Of India	1,03,855.20	26,526.92	23,613.18	26,509.87	12.34	0.06
IDBI Bank	96,298.51	6,669.84	6,863.63	6,994.70	-2.82	-4.64
Polycab India	94,571.27	4,698.03	3,889.38	5,591.90	20.79	-15.99
The Indian Hotels Company	88,281.27	1,550.23	1,466.37	1,905.34	5.72	-18.64
HDFC Asset Management Company	86,464.13	775.24	574.54	695.43	34.93	11.48
Yes Bank	80,448.10	7,725.41	6,445.36	7,457.81	19.86	3.59
MID CAP						
Suzlon Energy	75,080.85	2,021.59	1,350.98	2,196.21	49.64	-7.95
Persistent Systems	73,283.13	2,737.17	2,321.18	2,590.53	17.92	5.66
Supreme Industries	72,303.69	2,636.35	2,368.58	3,007.89	11.31	-12.35
Indian Renewable Energy Development Agency	69,545.00	1,510.28	1,143.21	1,391.25	32.11	8.56
UCO Bank	67,025.10	6,023.99	5,223.93	5,859.70	15.32	2.80
JSW Infrastructure	66,643.55	1,009.77	878.10	1,096.38	14.99	-7.90
Oberoi Realty	63,372.23	1,405.16	909.97	1,314.77	54.42	6.87
Central Bank Of India	54,681.24	8,367.01	7,258.97	8,371.23	15.26	-0.05
L&T Technology Services	52,945.34	2,461.90	2,301.40	2,537.50	6.97	-2.98
Tata Communications	50,908.13	5,633.37	4,771.36	5,691.70	18.07	-1.02
Bank Of Maharashtra	47,140.70	5,874.68	4,788.66	5,466.73	22.68	7.46
L&T Finance	43,310.54	3,784.40	3,223.32	3,671.77	17.41	3.07
Nippon Life India Asset Management	40,347.58	504.96	354.15	468.27	42.58	7.84
Tata Technologies	40,284.91	1,268.97	1,257.53	1,301.05	0.91	-2.47
Mangalore Refinery And Petrochemicals	37,637.06	27,289.40	24,825.08	29,190.05	9.93	-6.51
JK Cement	34,610.38	2,807.57	2,762.63	3,105.77	1.63	-9.60
Dalmia Bharat	33,223.12	3,621.00	3,627.00	4,307.00	-0.17	-15.93
CRISIL	31,374.08	797.35	771.02	737.68	3.41	8.09
Poonawalla Fincorp	31,314.46	977.59	693.48	915.00	40.97	6.84
ZF Commercial Vehicle Control Systems India	29,488.81	945.76	966.81	958.64	-2.18	-1.34
One97 Communications	28,823.22	1,501.60	2,341.60	2,267.10	-35.87	-33.77
Grindwell Norton	28,231.39	705.60	668.35	691.08	5.57	2.10
SMALL CAP						
Century Textiles & Industries	24,444.60	1,149.24	894.47	1,685.88	28.48	-31.83
Tejas Networks	22,474.85	1,562.77	188.13	1,326.88	730.69	17.78
CIE Automotive India	22,389.97	2,292.69	2,320.34	2,426.80	-1.19	-5.53
Atul	21,397.97	1,322.05	1,182.02	1,212.15	11.85	9.07
CreditAccess Grameen	20,202.25	1,512.03	1,170.03	1,457.49	29.23	3.74
Himadri Speciality Chemical	19,960.22	1,200.41	950.91	1,176.95	26.24	1.99
Poly Medicure	19,629.03	384.78	320.83	378.07	19.93	1.77
Angel One	19,074.79	1,405.45	807.51	1,357.28	74.05	3.55
Blue Dart Express	18,603.53	1,342.71	1,237.55	1,322.87	8.50	1.50
Zensar Technologies	16,962.96	1,288.10	1,227.20	1,229.70	4.96	4.75
Anand Rathi Wealth	15,838.47	237.61	175.03	184.28	35.76	28.94
Sterling and Wilson Renewable Energy	15,468.24	915.06	514.96	1,178.01	77.70	-22.32
RBL Bank	14,684.41	3,496.94	2,855.40	3,339.18	22.47	4.72
Newgen Software Technologies	14,309.76	314.72	251.67	375.27	25.05	-16.13
Elecon Engineering Company	14,141.68	392.36	414.34	564.62	-5.30	-30.51
PVR Inox	14,030.95	1,190.70	1,304.90	1,256.40	-8.75	-5.23

Operating Profit (₹ Crore)					Net Profit (₹ Crore)				
Q1FY25	Q1FY24	Q4FY24	Y-o-Y Growth (%)	Q-o-Q Growth (%)	Q1FY25	Q1FY24	Q4FY24	Y-o-Y Growth (%)	Q-o-Q Growth (%)
42,748.00	41,906.00	47,050.00	2.01	-9.14	17,448.00	18,182.00	21,143.00	-4.04	-17.48
17,624.00	16,395.00	18,321.00	7.50	-3.80	12,105.00	11,120.00	12,502.00	8.86	-3.18
25,870.46	19,888.82	31,571.93	30.08	-18.06	17,188.05	12,403.25	18,012.87	38.58	-4.58
10,275.00	9,625.00	11,513.00	6.75	-10.75	6,374.00	5,945.00	7,975.00	7.22	-20.08
6,896.00	5,709.00	6,533.00	20.79	5.56	4,259.00	3,531.00	3,995.00	20.62	6.61
6,782.03	6,000.21	7,217.07	13.03	-6.03	7,399.39	4,109.33	5,242.25	80.06	41.15
3,205.02	3,222.91	4,249.53	-0.56	-24.58	1,692.33	1,686.52	2,249.52	0.34	-24.77
1,262.85	1,074.01	981.51	17.58	28.66	773.68	658.71	563.14	17.45	37.39
1,849.98	2,318.36	1,878.48	-20.20	-1.52	1,150.07	1,544.17	1,249.98	-25.52	-7.99
5,083.80	4,843.80	5,053.70	4.95	0.60	3,041.10	2,885.70	2,878.40	5.39	5.65
2,705.76	2,283.37	2,644.25	18.50	2.33	1,941.79	1,644.14	1,927.49	18.10	0.74
5,674.00	7,377.00	6,366.00	-23.09	-10.87	879.00	2,462.00	1,420.00	-64.30	-38.10
343.86	375.94	320.42	-8.53	7.32	250.71	264.94	233.02	-5.37	7.59
1,833.20	1,767.10	1,743.30	3.74	5.16	1,135.10	1,152.30	1,100.70	-1.49	3.13
400.78	439.86	449.67	-8.88	-10.87	478.97	416.71	411.64	14.94	16.36
6,197.10	16,346.82	9,664.21	-62.09	-35.88	2,462.20	10,167.67	4,992.16	-75.78	-50.68
1,580.94	1,307.45	1,292.01	20.92	22.36	530.37	288.23	338.42	84.01	56.72
1,691.72	1,349.03	1,963.52	25.40	-13.84	648.66	504.03	810.42	28.69	-19.96
649.57	466.81	710.35	39.15	-8.56	407.51	287.07	446.70	41.95	-8.77
7,811.25	7,185.04	6,533.85	8.72	19.55	3,600.95	3,240.44	3,309.85	11.13	8.79
2,102.32	3,036.64	2,206.39	-30.77	-4.72	1,739.15	1,234.28	1,655.09	40.90	5.08
641.79	612.56	815.38	4.77	-21.29	401.62	403.16	553.48	-0.38	-27.44
495.64	459.50	705.92	7.87	-29.79	234.21	210.60	393.09	11.21	-40.42
767.83	586.51	694.50	30.92	10.56	603.76	477.41	540.84	26.47	11.63
902.20	822.60	915.51	9.68	-1.45	516.00	346.68	467.29	48.84	10.42
392.84	209.50	368.63	87.51	6.57	302.29	100.90	254.12	199.59	18.96
485.85	395.97	485.14	22.70	0.15	306.42	228.77	315.32	33.94	-2.82
408.77	335.79	508.76	21.73	-19.65	235.84	194.22	314.13	21.43	-24.92
1,459.30	1,209.17	1,336.02	20.69	9.23	383.69	294.58	337.38	30.25	13.73
1,321.23	1,202.35	1,272.88	9.89	3.80	550.96	223.48	525.77	146.54	4.79
600.26	578.66	626.43	3.73	-4.18	296.55	322.20	329.08	-7.96	-9.89
851.84	497.32	1,032.36	71.29	-17.49	582.25	319.91	785.21	82.00	-25.85
2,005.51	1,854.26	2,072.40	8.16	-3.23	886.96	428.01	811.83	107.23	9.25
518.40	500.50	558.80	3.58	-7.23	313.90	312.10	341.40	0.58	-8.06
1,150.55	1,212.67	1,113.30	-5.12	3.35	329.90	373.24	315.68	-11.61	4.50
2,294.60	1,863.68	2,209.90	23.12	3.83	1,293.68	882.49	1,217.91	46.59	6.22
2,302.12	2,106.93	2,056.77	9.26	11.93	685.25	530.52	553.02	29.17	23.91
447.21	319.31	383.05	40.06	16.75	332.17	235.37	342.63	41.13	-3.05
254.08	281.33	264.11	-9.69	-3.80	162.03	191.53	157.24	-15.40	3.05
650.35	2,120.12	2,368.98	-69.32	-72.55	65.57	1,012.74	1,136.84	-93.53	-94.23
530.94	439.39	605.62	20.84	-12.33	184.82	110.73	219.68	66.91	-15.87
719.00	667.00	774.00	7.80	-7.11	145.00	144.00	320.00	0.69	-54.69
224.74	221.90	213.21	1.28	5.41	150.11	150.58	137.72	-0.31	9.00
724.26	512.86	680.46	41.22	6.44	291.64	200.06	331.70	45.78	-12.08
164.27	162.62	165.97	1.01	-1.03	99.43	99.73	100.20	-0.30	-0.76
-654.70	-170.10	-91.80	-284.89	-613.18	-838.80	-340.30	-306.70	-146.49	-173.49
148.91	149.80	142.29	-0.59	4.65	92.97	97.56	93.16	-4.70	-0.20
124.89	147.09	281.99	-15.09	-55.71	35.86	57.96	165.48	-38.13	-78.33
243.06	-26.79	318.79	1,007.28	-23.76	77.48	-26.29	146.78	394.71	-47.21
390.65	389.97	411.89	0.17	-5.16	215.77	213.88	229.80	0.88	-6.10
236.27	190.46	160.42	24.05	47.28	108.79	100.09	55.38	8.69	96.44
1,059.40	864.35	1,025.36	22.57	3.32	397.66	348.46	397.08	14.12	0.15
204.56	144.13	191.89	41.93	6.60	122.78	86.10	115.18	42.60	6.60
120.84	100.31	111.55	20.46	8.32	73.61	61.95	68.13	18.82	8.04
475.02	323.96	531.11	46.63	-10.56	292.74	220.83	339.95	32.57	-13.89
211.25	200.87	237.01	5.17	-10.87	53.42	61.28	77.78	-12.83	-31.32
238.60	258.50	255.10	-7.70	-6.47	157.90	156.20	173.30	1.09	-8.89
106.04	76.77	86.05	38.13	23.23	73.44	53.23	56.86	37.97	29.16
37.51	-29.82	62.74	225.79	-40.21	4.83	-95.32	1.40	105.07	245.00
841.70	684.42	899.69	22.98	-6.45	351.05	319.49	364.43	9.88	-3.67
70.23	44.64	137.61	57.35	-48.96	47.57	30.20	105.27	57.50	-54.81
106.81	108.47	148.40	-1.53	-28.03	70.90	72.07	101.18	-1.62	-29.93
280.20	377.40	327.50	-25.76	-14.44	-179.00	-82.00	-129.70	-118.29	-38.01

correction, the strong financial performance of companies and budgetary support may help sustain their upward momentum. In the interim budget, the finance minister announced an 11.1 per cent increase in capital expenditure (capex) for the fiscal year 2024-25, with ₹252,200 crore allocated to the railways.

The government also revealed a substantial allocation of ₹6.21 lakh crore for the Ministry of Defence, aimed at enhancing self-reliance and boosting exports. This provides an opportunity to strike a balance between boosting consumption and maintaining robust capital expenditure in the upcoming budget, particularly given the RBI's record-high surplus transfer of ₹2.11 lakh crore to the central government. Surprisingly, the government proposed no change to the capital expenditure target, maintaining it at ₹11.11 lakh crore for this fiscal year as announced in the interim budget in February. There were no new developments regarding the railway and defence sectors, leading to heavy selling pressures on stocks within these sectors on the budget day.

Conclusion

The recent budget has delivered positive surprises on fiscal consolidation but has been less favourable regarding capital gains. It maintains a steady focus on infrastructure spending and supporting the rural/agricultural economy. Key highlights include a strong emphasis on employment generation in the formal sector, especially, manufacturing, and promoting farm prosperity, both crucial for boosting the economy's long-term growth potential. Despite higher budgeted revenues, the focus on roads, railways, and defence sectors continues, though without significant increases from the interim budget. The reinforced commitment to affordable housing, urban infrastructure, and the MSME ecosystem is expected to drive long-term growth.

Even though the market experienced a sharp decline on Budget Day, it swiftly erased losses, regaining investors' confidence. As stocks correct and investment opportunities emerge, investors are eagerly waiting to enter the market. Therefore, high valuations alone are unlikely to derail the bull market, as long as they are supported by robust growth prospects. In the midst of the ongoing quarter results season, most companies have reported strong financial performances for Q1FY25, showcasing a year-on-year aggregate revenue growth of 10 per cent and a net profit surge of 20 per cent. As additional companies release their results, we will gain a clearer understanding of the overall Q1FY25 performance, market reactions, and future outlook.

What If Donald Trumps?

The potential election of Donald Trump as president in the U.S. carries significant implications for the Indian equity market. It could lead to changes in the global trade dynamics, in particular affecting the Indian IT sector while also raising inflation levels and leading to yet another revision in the visa programme for Indians who want to work in the US. The article takes a closer look at what may lie in store

Politics and economies are deeply intertwined, and when it comes to elections in the United States, the epicentre of the global economy, the stakes are even higher. The upcoming U.S. presidential election in November will significantly impact the global markets and various asset classes, including equities, commodities and currencies. This election holds particular importance given the current state of the world economy and geopolitical conditions. Over the past few years, inflation has been a dominant topic in economic discussions.

In India, inflation was a core issue during the recent election, contributing to the incumbent party's inability to secure a majority on its own. Similarly, inflation remains a key political concern globally, and the U.S. is no exception. The current administration, led by Democrat Joe Biden, has touted the strong U.S. economy, low unemployment rates and significant progress in combating inflation. However, this narrative often fails to resonate with supporters of Donald Trump.

While the Republican Party, also known as the GOP (Grand Old Party) blames Biden for lingering inflation, Trump's proposed policies could potentially reverse the Federal Reserve's hard-fought gains. This is coming at a time when the Federal

Reserve is widely expected to cut interest rates in September, buoyed by growing expert confidence that the end of the rate hike cycle is near. The Federal Reserve's preferred inflation gauge has eased to 2.6 per cent, approaching its 2 per cent target, and the once-overheated labour market has cooled to the pre-pandemic levels.

This rebalancing has been accompanied by a moderation in consumer spending, as high prices and borrowing costs dampen demand and thus reduce price pressures. Economists warn that his plans, including another round of tax cuts favouring the wealthy, broad tariff hikes that could spark another trade war with China, and immigration restrictions blocked by Republicans earlier this year, could disrupt global trade and drive inflation back up.

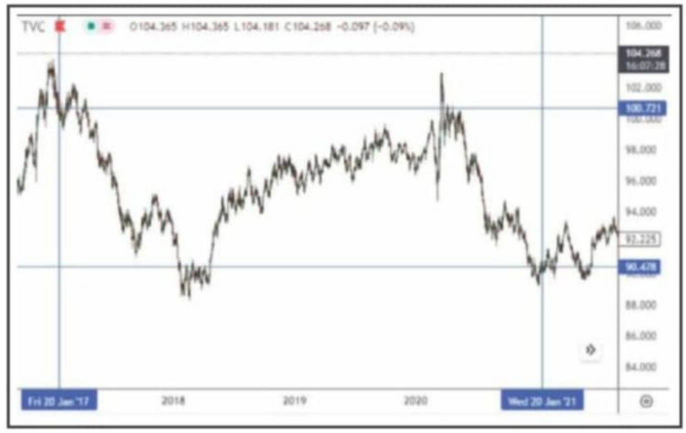
Impact on India

The last time around, during the 2016 U.S. elections when Trump won, the immediate reaction to his victory was a dip in the Indian markets, with the Sensex falling by around 1.75 per cent the day after the election. Nonetheless, this kneejerk reaction was primarily due to the unexpected election outcome and on account of uncertainties about Trump's trade and foreign policies. However, the markets stabilised and showed recovery in the following month. In the following paragraphs we will try to understand how it is going to impact the Indian economy and the different markets.

Currency Dynamics and Emerging Markets

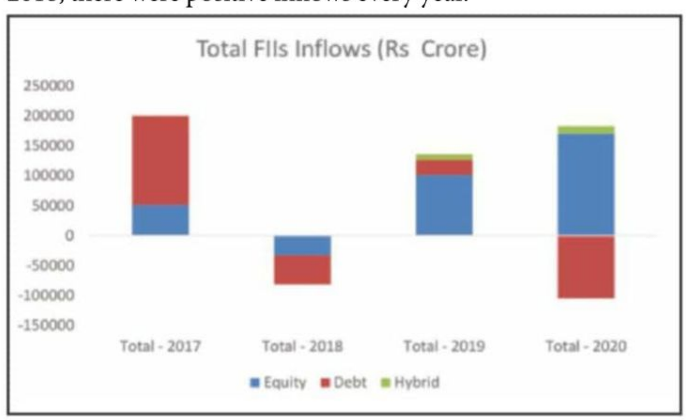
If a Republican candidate (Donald Trump) wins the U.S. General Election, one of the expected economic shifts is the potential weakening of the U.S. dollar (USD). Since the Trump–Biden debate, the USD index (DXY) has started falling in anticipation of Trump getting re-elected. The following graph clearly indicates this movement. There are still more than 100 days to the U.S.' election but as we get closer to this major event and in the likelihood of Trump maintaining his pole position, there may be a further weakening of the USD.

Earlier, during the Trump administration from 2017 to 2021, we observed a weakening of the USD from 100 to 90 levels.



A weaker USD generally benefits risk-on assets, including equities in emerging markets like India. They impact in various ways:

1) Increased Foreign Institutional Investment (FII) — A weaker USD makes investments in emerging markets more attractive due to higher potential returns in local currencies. This can lead to increased FII inflows into the Indian equity market. Enhanced liquidity and investment can drive up stock prices and market indices. The following graph shows the year-wise FIIs net inflows into the Indian equity market in different securities. It is clearly observed that except for the year 2018, there were positive inflows every year.



2) Imports and Exports — There is another way in which the weakening of the USD will help Indian importers. A stronger rupee relative to the USD will make imports cheaper. Since we are net importers, it will help the overall economy. However, it might impact exporters.

3) Corporate Tax Rate Cut — Republican candidate Trump has announced plans to further reduce the corporate tax rate to 15 per cent if he is elected again. This proposal follows his previous reduction of the corporate tax during his first term. A reduction in corporate tax in the U.S. can have a mixed impact on the Indian stock market and companies, depending on various factors. On the positive side, increased investment could result from U.S.' companies having more resources post-tax.

This could lead to expanded operations and job creation in their Indian subsidiaries and more foreign direct investment flowing into India, thereby boosting the Indian economy. Improved profitability for U.S. companies due to lower taxes could make them more attractive to investors, potentially raising the share prices of U.S. companies with Indian operations, benefiting the Indian investors. It could also lead to increased interest from Indian companies in merging with or acquiring U.S. companies. However, there are potential negative impacts as well.

U.S. companies with Indian origin might retain more earnings domestically due to higher profitability, leading to lower remittances of profits back to Indian parent companies and reduced foreign exchange inflows into India, which could weaken the Indian rupee. Additionally, a more attractive U.S. investment environment might divert capital away from India, slowing the growth of Indian companies competing for investment and lowering the overall liquidity in the Indian stock market. The overall impact of a U.S. corporate tax cut on the Indian market depends on several factors, including the size of the tax cut, the health of the Indian economy and the specific sectors affected.

4) Sectoral Impact — Republican administrations typically favour deregulation and business-friendly policies. However, specific policy decisions can have nuanced effects on different sectors of the Indian economy, particularly IT. In terms of the demand for IT services, the U.S. is a major market for Indian IT services. Policies that favour business expansion and economic growth in the U.S. can increase the demand for IT services as companies invest in technology to drive efficiency and innovation.

There is also the factor of immigration and visa policies. Republicans have historically supported tighter immigration controls, which can impact the H-1B visa programme. Many Indian IT professionals rely on H-1B visas to work in the U.S. Stricter visa regulations could hinder the ability of Indian IT firms to deploy their workforce in the U.S., potentially affecting their operations, revenues and profitability.

5) Tariffs and Tax Hikes on Chinese Products — Last time when Trump was residing at White House, while fulfilling his promise to reduce a longstanding trade deficit with China, curb the theft of U.S. intellectual property and reclaim manufacturing jobs, he announced new tariffs on a wide range of Chinese imports in January 2018. This time also he has announced plans to increase the tax collected from all Chinese imports by 60 per cent.

This significant rise in tariffs has various potential implications for global trade dynamics, particularly for India. With higher tariffs on Chinese goods, India could benefit from increased demand for its products in the U.S. market. Sectors such as pharmaceuticals, textiles and certain electronic items may find new opportunities as U.S. companies seek alternatives to Chinese suppliers.

This shift could provide a substantial boost to Indian exporters, enabling them to expand their market share in the U.S. However, there is also a risk that Chinese manufacturers, facing higher tariff in the U.S., may dump their excess products elsewhere or even in the Indian market at lower prices. This could harm local industries by increasing competition for the Indian manufacturers. Such a scenario could undermine the benefits of increased export opportunities and pose challenges for the domestic market.

6) Inflation — During Trump's first term, his economic policies had a notable impact on inflation. High tariffs on Chinese imports, varying by product but often substantial, raised the cost of goods, which contributed to inflationary pressures. Corporate tax cuts, intended to stimulate economic growth, acted as inflationary fiscal stimulus by increasing consumer spending and driving up prices. If re-elected, Trump's proposed policies could escalate tariffs on Chinese imports to as high as 60 per cent.

Combined with potential further tax cuts and stricter immigration measures, these actions are projected to drive inflation higher. Such a scenario could potentially destabilise both the U.S. and global economies. For India, higher U.S. inflation could make Indian exports cheaper but raise import costs, affecting the trade balance. Increased U.S. interest rates could lead to capital outflows from India, weaken the rupee and drive up import costs. Higher commodity prices, particularly oil, could further raise input costs, prompting the Reserve Bank of India to increase the interest rates to manage inflation and protect growth.

7) Market Sentiment and Volatility — Market sentiment plays a crucial role in the equity markets. A Republican win could usher in a mix of optimism and caution. Pro-business policies might boost investor confidence, leading to bullish market trends. Initial periods of policy transition could bring volatility as markets adjust to new policies and economic forecasts.

Conclusion

The potential election of Donald Trump as president in the U.S. carries significant implications for the global economy. Trump has stated that he will resolve every international crisis created by the current administration, including the ongoing war between Russia and Ukraine, which would positively impact the global economy. India stands to benefit from lower crude oil prices. Additionally, multiple factors such as currency dynamics and sector-specific impacts will influence market performance. While a weaker USD and increased Foreign Institutional Investor (FII) inflows are positive indicators, policies affecting the IT sector, trade dynamics, and inflation numbers require close monitoring.

Union Budget 2024-25 Tax Modifications For Equity Market Participants

With long-term and short-term capital gains tax increased by 25 per cent and 50 per cent, respectively, a 100 per cent hike in Securities Transaction Tax (STT), tax on share buy-backs is now in the hands of recipients, while the abolishment of Angel Tax is also celebrated. Let's explore the changes for investors post-budget.

Finance Minister Nirmala Sitharaman tabled the Union Budget 2024 on Tuesday, July 23 for the 7th time. The budget document contained Part B read along with Finance Bill, 2024 which highlighted the government's tax proposals.

The amendment in the direct taxation drew the investors' attention due to unfavourable tax reforms such as a substantial hike in capital gains on listed equities, a 100 per cent hike in STT on F&O and tax on buy-back of shares. However, the Finance Bill, 2024 did provide relief to start-up investors by abolishing the Angel tax and simplifying TDS on the repurchase of units of mutual funds.

5 major tax amendments in Finance Bill 2024 impacting equity markets

Long Term and Short Term Capital Gains Tax

Long term gains on all financial and non-financial assets will attract a tax rate of 12.5 per cent. Also, the limit of exemption of capital gains on certain financial assets such as listed equity shares and equity-oriented units of mutual fund u/s112A shall increase from to ₹1.25 lakh per year.

Short-term gains on certain financial assets which include listed equity shares and equity-oriented units of mutual funds shall henceforth attract a tax rate of 20 per cent, while that on all other financial assets and all non-financial assets shall continue to attract the applicable tax rate.

Earlier listed equity shares and equity-oriented units attracted a 10% long-term capital gain tax against a new rate of 12.5 per cent (25 per cent hike). However, the exemption towards long-term capital gain on equity shares and equity-oriented units up to ₹1 lakh has been increased to ₹1.25 lakh (₹ 25 thousand increase).

In the case of short-term capital gain tax on listed equity shares and equity-oriented units, the tax is hiked from 15 per cent to 20 per cent (50 per cent increase). This amendment is applicable from July 23, 2024.

Securities Transaction Tax (STT) on Futures & Options (F&O)

To deepen the tax base the FM proposed to hike the Security Transactions Tax on futures and options of securities to 0.02 per cent and 0.1 per cent, respectively.

Before the amendment, the securities transaction tax on the sale of an option in securities was 0.0625 per cent of the option premium and on the sale of a futures in securities is 0.0125 per cent of the price at which futures are traded suggesting a 100 per cent hike in proposed STT. This amendment will take effect from October 1, 2024.

Withdraw of 20 per cent TDS on repurchase units

To simplify the TDS structure the 20 per cent TDS rate on repurchase of units by mutual funds or UTI is withdrawn.

Earlier section 194F provided that the person responsible for paying to any person any amount referred to in sub-section (2) of section 80CCB shall, at the time of payment thereof, deduct income-tax thereon at the rate of 20%. However, through Finance Bill 2024, section 194F is omitted. Therefore TDS under 194F will not be applicable. These amendments will take effect from October 1, 2024.

Abolishment of Angel Tax

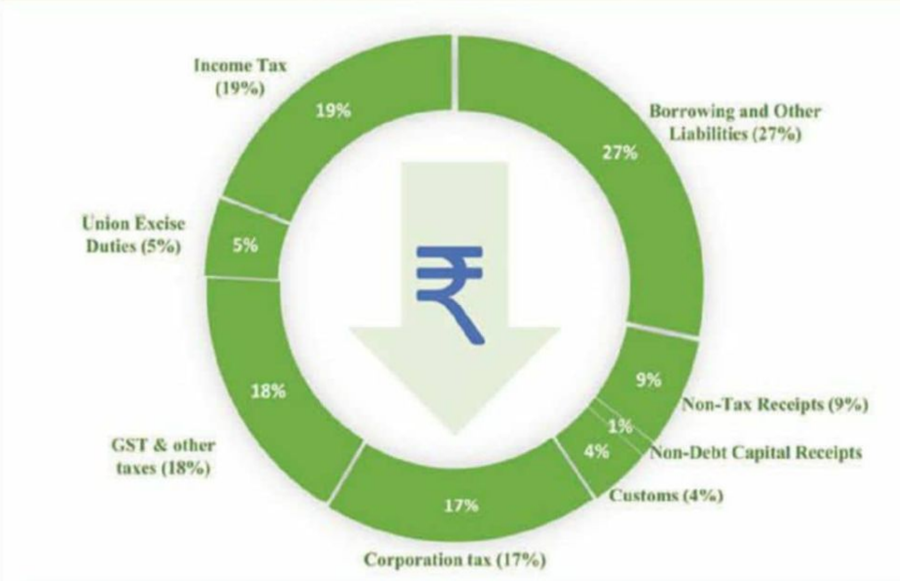
To bolster the Indian start-up ecosystem, boost the entrepreneurial spirit and support innovation, angel tax for all classes of investors will be abolished, the FM announced in the budget speech.
Angel tax is levied on the capital raised via the issue of shares by unlisted companies from an Indian investor if the share price of issued shares is seen over the fair market value of the company.

The excess realisation is considered income and is taxed accordingly. However, through the Finance Bill, 2024 it stands abolished.

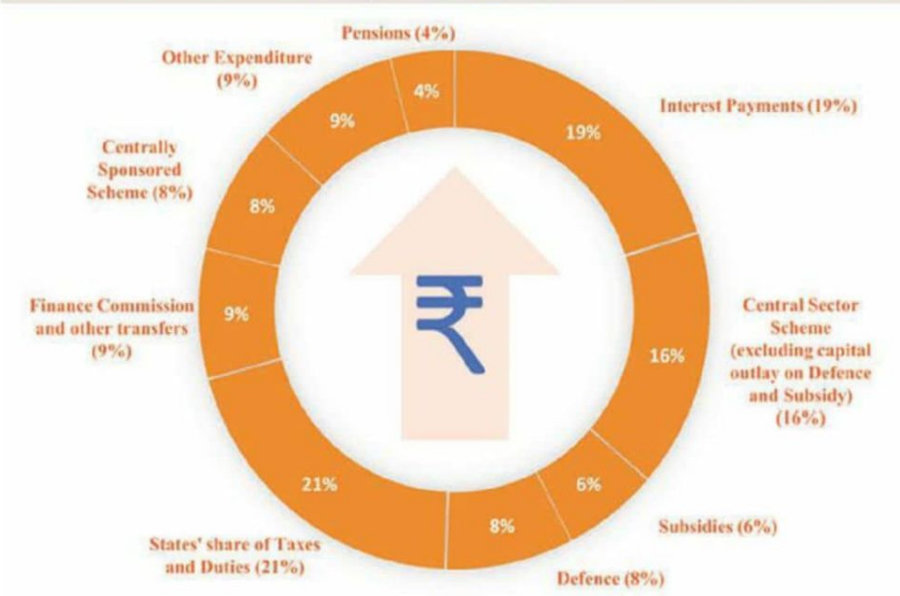
Buyback on Equity Shares

To further increase the tax base, the Finance Minister introduced a provision to tax income received from the buyback of shares in the hands of the recipient. At the moment, section 115QA provides an exemption to any income arising to an assessee, being a shareholder, on account of buyback of shares by the company. However, the exemption stands withdrawn through Finance Bill, 2024 by introducing a tax on income from the buy back of shares in the hands of the shareholder. These amendments will take effect from October 1, 2024.

Rupee Comes From



Rupee Goes To



Conclusion

The Finance Bill 2024 amendments reflect the government's efforts to balance revenue generation with support for the startup ecosystem and financial market efficiency. The government through the STT hike aims to discourage speculative trading to protect retail investors along with increasing the tax base. The broader tax reform indicates the government's objective is to benefit the retail investor through increasing long-term gains exemptions.

Budget 2024 Key Highlights

Government aims to reach a deficit below 4.5 per cent next year.

The focus of budget is on EMPLOYMENT, SKILLING, MSMEs, and the MIDDLE CLASS.

Efforts to simplify taxes, improve tax payer services, provide tax certainty and reduce litigation to be continued.

Short term gains on certain financial assets to attract a tax rate of 20 per cent.

Long term gains on all financial and non-financial assets to attract a tax rate of 12.5 per cent.

Exemption limit of capital gains on certain financial assets increased to ₹1.25 lakh per year.

Security Transactions Tax on futures and options of securities increased to 0.02 per cent and 0.1 per cent respectively.

Shipping company contracts to sell its 2005-built medium range product tanker "Jag Pranav"

Founded in 1948 with the purchase of a Liberty ship, Great Eastern Shipping Company Ltd (GE Shipping) has grown into India's largest private sector shipping company by FY24. As of FY24, GE Shipping and its subsidiaries operate 43 ships and 23 offshore assets, cementing its position as a major player in the Indian shipping and oil drilling services industry.

Recently, GE Shipping contracted to sell its 2005-built Medium Range Product Tanker, Jag Pranav, a vessel of approximately 51,383 dwt, to an unaffiliated third party on July 23, 2024. The delivery to the new buyer is scheduled for Q2/Q3 FY25. Including Jag Pranav, the company's current fleet comprises 43 vessels: 29 tankers (6 crude carriers, 19 product tankers, and 4 LPG carriers) and 14 dry bulk carriers (2 Capesize, 8 Kamsarmax, and 4 Supramax), aggregating to a total of 3.41 million dwt.
In addition to this sale, GE Shipping had previously contracted to sell another MR product tanker in May 2024 and purchase one in June 2024, with both transactions set for delivery in Q2 FY25. These strategic moves reflect GE Shipping's dynamic approach to fleet management and its commitment to maintaining a robust and versatile fleet.

According to the shareholding pattern, promoters own 30.08 per cent, and 28.05 per cent is owned by public investors. FIIs and DIIs own 24.51 per cent and 17.36 per cent stake in the company.
Investors must keep this Small-Cap stock on their radar.

Cellecor Gadgets expands its presence with 2 more exclusive brand stores in Mizoram and New Delhi

Cellecor Gadgets Limited, a trailblazer in India's consumer durables sector, announces the opening of two new Exclusive Brand Stores in Mizoram and New Delhi. These openings mark a significant stride in Cellecor's commitment to embracing diverse markets, expanding its reach into key regions and reflecting its commitment to accessibility, quality, and innovation across varied markets. The Mizoram Exclusive Brand Store extends Cellecor's footprint to India's northeastern border, bridging geographical gaps to offer state-of-the-art consumer electronics. This expansion underscores the company's dedication to meeting the diverse needs of consumers nation-wide while fostering local entrepreneurship through its franchise-based model.

While the opening of an Exclusive Brand Store in New Delhi represents Cellecor's strategic shift towards urban markets, particularly catering to the dynamic preferences of the youth demographic. This move not only enhances Cellecor's visibility in a bustling metro but also sets the stage for the introduction of its upcoming trend-setting Premium Brand, anticipated to redefine luxury and technological sophistication.

Additionally, Cellecor Gadgets Ltd informed that the Board of Directors of the Company has announced a stock split in the ratio 10:1 i.e., sub-division of 1 equity share of the company having a face value of ₹10 each into 10 equity shares of the company having a face value of Re 1. The Board fixed the record date for the stock split as Friday, August 09, 2024.Investors must keep this Small-Cap stock on their radar.

Trackpad

Sylph Technologies board converts 1,35,00,000 warrants into equal number of equity shares

Sylph Technologies Ltd, in a Board of Directors meeting held on June 19 2024, approved the allotment of 1,35,00,000 equity shares on the conversion of 1,35,00,000 warrants into equity shares of face value Re 1 each at an issue price of ₹3.20 each (including a premium of ₹2.20 per share). This allotment, made on a preferential basis to the "Non-Promoters/Public Category," followed the receipt of the balance amount of ₹3,24,00,000 at ₹2.40 per warrant (75 per cent of the issue price) from VKC Corporation Solutions Pvt Ltd, Sygnific Corporation Solutions Pvt Ltd, and Manoj Gupta.

Each of these entities converted a specified number of warrants into equity shares, with the total conversion amounting to 1,35,00,000 equity shares. The conversion process adhered to SEBI (ICDR) Regulations, 2018. With this conversion, the issued and paid-up capital of Sylph Technologies Ltd has increased to ₹35,86,66,000 consisting of 35,86,66,000 equity shares of Re 1 each. These new shares will rank pari-passu with the existing shares. Additionally, 4,28,34,000 warrants remain outstanding for conversion, allowing holders to convert them into equity shares by paying the remaining 75 per cent (₹2.40 per warrant) within 18 months from the allotment date. This preferential allotment includes 1,35,00,000 equity shares issued at ₹3.20 each upon conversion and the receipt of the balance amount, resulting in a total of ₹3,24,00,000.

Sylph Technologies Ltd., established in 1992, offers a diverse range of services beyond its core software development, encompassing newspaper distribution, financial instrument trading, solar power plant trading, IT services, newspaper printing, business process outsourcing, and knowledge process outsourcing. The company has a market cap of ₹55.3 crore and its 100 per stake is owned by the public shareholder.

Multibagger solar EPC company emerges as winning bidder for 116 MW (150 MWp) of solar projects in Gujarat

Gensol Engineering Ltd. (BSE: 542851) (NSE: GENSOL), a pioneer in solar power engineering, procurement, and construction (EPC) services and the electric mobility sector, has emerged as the winning bidder for 116 MW (150 MWp) of solar projects in Gujarat with approx. EPC revenue of ₹600 crore. These projects will be distributed across 27 diverse locations, all under the purview of Paschim Gujarat Vij Co. Ltd. (PGVCL), the state electricity distribution company.

These projects aim for feeder-level solarisation and are anticipated to be operational within 12 months following the issuance of the Letter of Award (LoA). The solarisation of agricultural feeders that are either already segregated or primarily serve agricultural loads by installing grid-connected solar projects to meet their annual power requirements. At the feeder level, solar power projects can be deployed to fulfil the power needs of single or multiple agricultural feeders from a distribution sub-station.

Established in 2012, Gensol Engineering Limited, part of the Gensol group, provides comprehensive engineering, procurement, and construction (EPC) services for solar power plants globally, with a proven track record of installing over 770 MW of solar capacity across ground-mounted and rooftop installations.

According to quarterly results, the net sales increased by 147 per cent to ₹412 crore, EBITDA increased by 188 per cent to ₹92 crore and profit after tax increased by 168 per cent to ₹20 crore in Q4FY24 compared to Q4FY23. In its annual results, the net sales increased by 147 per cent to ₹996 crore, EBITDA increased by 218 per cent to ₹260 crore and profit after tax increased by 129 per cent to ₹53 crore in FY24 compared to FY23.

LIC-backed multibagger wind-solar stock delivers stellar Q1FY25 performance with 200 per cent YoY profit growth to ₹302 crore

Suzlon Group, India's largest renewable energy solutions provider, announced its first quarter results for the financial year 2024⊠25 (Q1FY25). The company reported a stellar Q1FY25 performance, with a year-over-year profit growth of 200 per cent to ₹302 crore. This strong performance was driven by several factors, including a 103 per cent increase in deliveries to 274 MW, the highest Q1 delivery in 7 years. Revenue also grew by 50 per cent to ₹2,016 crore and EBITDA reached a record high of ₹370 crore, representing an 86 per cent increase year-over-year. The company also reported a healthy net cash position of ₹1,197 crores as of June 30, 2024.

Suzlon is one of the leading global renewable energy solutions providers. It is a vertically integrated WTG manufacturer. It also undertakes installation and O&M of all WTG sales. Operations include design development and manufacturing of all major components, including rotor blades, tubular towers, generators, control equipment, gears and nacelles. Apart from manufacturing, it offers a full gamut of wind project planning and execution services, including wind resource assessment, infrastructure and power evacuation, technical planning and execution of wind power projects. It also offers O&M services in India and overseas countries.

In June 2024, FIIs increased their stake to 21.53 per cent and DIIs increased their stake to 9.17 per cent stake compared to 19.57 per cent and 6.30 per cent respectively, in March 2024. The stock gave multibagger returns of 180 per cent in 1 year and a whopping 1,330 per cent in 5 years. Investors should keep an eye on this mid-cap stock.

H.G. Infra Engineering Limited bags new order worth ₹709.11 crore from East Central Railway

H.G. Infra Engineering Limited was awarded a project by East Central Railway to construct a double-line track in the Gaya-Son Nagar section of Bihar. The project involves building a new third and fourth track, including earthwork, blanketing, minor and major bridges, electrification works, and other miscellaneous works. The new track will be designed to handle a 32.5 T axle load and will include electrical traction (2x25 KV). The project is estimated to cost ₹709.11 crore and is expected to be completed in 36 months. The appointed date for the project commencement was June 22, 2024.

H.G. Infra Engineering Limited (HGIEL) is an Indian road infrastructure company engaged in the business of engineering, procurement and construction (EPC) services, maintenance of roads, bridges, flyovers and other infrastructure contract works. The company has a market cap of over ₹11,000 crore and reported amazing numbers in its quarterly results and annual results.

As of March 2024, Abakkus Emerging Opportunities Fund – 1 (owned by a renowned ace investor, Sunil Singhania) owns a 1.44 per cent stake in the company. As of March 2024, FIIs have increased their stake to 1.68 per cent compared to 1.34 per cent in March 2023. The stock has an ROE of 24 per cent and a ROCE of 24 per cent. The stock gave multibagger returns of over 100 per cent on a YTD basis whereas BSE Sensex Index is up by 11.4 per cent. Investors should keep an eye on this small-cap stock.

Vijay Kedia's portfolio multibagger telecom stock reports a turnaround net profit and DIIs increase in Q1FY25

Tejas Networks Ltd is a global R&D-driven telecom equipment company headquartered in India. It designs, develops and manufactures high-performance optical and data networking products that are used by telecom service providers, utilities, government and defence networks. Quarterly Results: The net sales increased by 731 per cent to ₹1,562.77 crore in Q1FY25 compared to Q1FY24. The company reported a turnaround operating profit of ₹243.06 crore and a net profit of ₹77.48 crore in Q1FY25 while it reported an operating loss of ₹26.79 crore and a net loss of ₹26.29 crore in Q1FY24: increasing by 1,000 per cent and 395 per cent, respectively.

Annual Results: The net sales increased by 168.1 per cent to ₹2,470.92 crore in FY24 compared to FY23. The company reported a turnaround net profit of 62.98 crore in FY24 while it reported a net loss of ₹36.41 crore in FY23: increasing by 273 per cent. The company's order book as of June 30, 2024, stands at ₹7,091 crore. The company has a market capitalisation of over ₹22,000 crore. Vijay Kedia, an ace investor, owns Kedia Securities Private Limited, which has a 1.87 per cent stake in Tejas Networks Ltd as of June 2024. Additionally, as of July 2024, the promoters own a 55.50 per cent stake, FIIs own a 10.20 per cent stake and DIIs own a 4.91 per cent stake (In June 2024, DIIs increased their stake to 4.91 per cent compared to 4.76 per cent in March 2024).

5:1 stock split to be announced by Master Trust Ltd; Do you hold it?

Incorporated in 1985, Master Trust Ltd is engaged in lending, as well as the sale and purchase of securities and land. The Board of Directors of the Company has scheduled a meeting for Wednesday, August 7, 2024, at the Company's registered office in Ludhiana. The agenda includes:

- Considering the proposal to subdivide/split the existing equity shares of the Company from 1 (one) equity share with a face value of ₹5 each, fully paid-up, into 5 (five) equity shares with a face value of ₹1 each, fully paid-up, subject to shareholder approval.
- Reviewing, approving, and taking on record the unaudited financial results (both standalone and consolidated) for the quarter ended June 30, 2024.
- Any other matters that the Board may decide during the meeting.

As per the Quarterly Results, in the fourth quarter of FY24, Master Trust Ltd recorded a revenue of ₹164 crore. The operating profit for Q4 FY24 stood at ₹69 crore. The net profit for Q4 FY24 was ₹38 crore. Looking at the annual performance, the company generated a revenue of ₹500 crore in FY24, compared to ₹339 crore in FY23. The operating profit for FY24 was ₹204 crore, with a net profit of ₹108 crore. Regarding the shareholding pattern, the promoters own 73.77 per cent of the company and the public or retail investors hold 26.23 per cent.stake to 4.91 per cent compared to 4.76 per cent in March 2024).

Power Mech Projects bags a new order worth ₹209.50 crore from Hindustan Zinc

Power Mech Projects Limited (PMPL) informed that the company was awarded a substantial domestic order valued at ₹209.50 crore. This project entails the operation and maintenance of a 3X91.5 MW captive power plant (CPP) located at the Chanderiya facility of Hindustan Zinc Limited in Chittorgarh, India. The agreement specifies a four-year timeframe (48 months) for Power Mech Projects Limited to complete the assigned tasks of operating and maintaining the aforementioned CPP. This signifies a successful bid by Power Mech Projects Limited and potentially strengthens its position within the domestic engineering sector. Earlier, PMPL secured a massive ₹563.23 crore contract for its first foray into the nuclear power sector. This deal involves civil, structural and architectural work for the upcoming Kaiga Atomic Power Project Units 5 and 6 (each 700 MWe) in Karnataka, utilizing Pressurized Heavy Water Reactor (PHWR) technology. Established in 1999, Power Mech Projects Limited is an engineering and construction company offering comprehensive services for power plants, including building, testing, and maintaining boilers, turbines, and generators, as well as civil works and ongoing operations.

Commodity Market Watch

U.S. Elections and China's Economy Hamper Commodities

Commodity markets experienced selling pressure in the last fortnight, driven by uncertainties surrounding the upcoming U.S. presidential elections, concerns about the Chinese economy, and increased agricultural production in Brazil.

As central banks worldwide near the end of their battle against inflation, expectations for interest rate cuts are becoming clearer. Despite anticipations that the Federal Reserve would implement three rate cuts this year, uncertainties over the U.S. elections impacted commodity prices.

The price of gold briefly soared to a record high of USD 2,483, fueled by expectations that the Fed would begin cutting rates in September. However, it later retreated to USD 2,400. The rising demand for the U.S. dollar negatively impacted precious metal prices. Silver and copper prices fluctuated due to concerns about demand tied to their use in green energy projects. In the past fortnight, gold lost 0.4 per cent, silver fell 5.1 per cent, platinum dropped 3.9 per cent, and palladium decreased 6.5 per cent.

Oil prices were on the decline in the past fortnight, as investors focused on the prospect of increasing oil supplies and weak demand. Brent crude futures for September fell 9 cents to USD 82.31 a barrel, while U.S. West Texas Intermediate crude for September declined 10 cents to USD 78.30 per barrel. Traders largely ignored U.S. President Joe Biden's decision to call off his re-election bid and endorse Vice President Kamala Harris. Instead, the market focused on oil supply and demand, with Morgan Stanley analysts predicting a balance by the fourth quarter and a surplus by next year, which could drag Brent prices to the mid-to-high USD 70 per barrel range.

China's GDP grew by 4.7 per cent year-on-year, below expectations, while the country's retail sales increased by just 2 per cent, the slowest rise since December 2022. Analysts suggest that the Chinese government may need to take further steps to stimulate the economy. The Chinese Communist Party has yet to implement the expected economic reforms outlined in the Third Plenary Session, leading to selling pressure on base metals. Consequently, the price of copper fell 8.1 per cent, lead dropped 3.8 per cent, nickel decreased 3.5 per cent, and aluminium slid 14.9 per cent last week.

The Chinese Communist Party has yet to implement the expected economic reforms outlined in the Third Plenary Session, leading to selling pressure on base metals. Consequently, the price of copper fell 8.1 per cent, lead dropped 3.8 per cent, nickel decreased 3.5 per cent, and aluminium slid 14.9 per cent last week.

Commodities	July 9, 2024	July 23, 2024	Gain/Loss (%)
MCX Cotton	58,050.00	56,400.00	-2.93
MCX Copper	872.90	804.80	-8.46
MCX Lead	189.25	187.00	-1.20
MCX Gold	72,356.00	71,061	-1.82
MCX Zinc	272.15	259.40	-4.92
MCX Aluminium	233.20	215.15	-8.39
MCX Silver	93,350.00	87,400.00	-6.81
Brent Oil	$85.27	$82.43	-3.45
Crude Oil	$81.82	$78.39	-4.38

Rice prices fell following news that India will lift restrictions on rice exports, easing supply concerns. Corn prices also declined due to demand concerns amid falling oil prices. Coffee prices fell as production concerns eased with increased rainfall in Brazil, while cotton and sugar prices also declined. Cocoa prices dropped significantly amid reduced supply concerns due to improved weather conditions in West Africa. The pound price of cotton traded on the Intercontinental Exchange fell 0.7 per cent, sugar dropped 2.8 per cent, and coffee decreased 4.2 per cent, while the ton price of cocoa ended the week down by 7 per cent.

The area under kharif soybean in 2024 is 11.8 million hectares, down just 0.3 per cent from the previous year, according to a survey by the Soybean Processors Association of India (SOPA). The survey, conducted in major soybean-growing districts of Madhya Pradesh, Maharashtra, and Rajasthan, found that while the overall area under soybean this year is nearly the same as last year, there has been some shift from soybean to other crops like maize and pulses in certain areas. Conversely, some regions saw a shift to soybean from other kharif crops. In Madhya Pradesh, a top producer of the crop, the acreage under kharif soybean was 5.1 million hectares, down 1.5 per cent from the previous year, as per the survey.

Global Market Watch

Wild Swings Engulf Global Equities

U.S. stock markets experienced significant volatility. An early-week rally pushed the markets to new highs, but this momentum faded, primarily due to weaknesses in the tech sector. The major indices had a mixed finish with, S&P 500 and Nasdaq closed lower, while the Dow recorded a notable gain.

In the past fortnight saw a shift in market leadership toward small-cap and value stocks. The Dow Jones Industrial Average, a more narrowly focused index, outperformed, and value stocks outpaced growth stocks by 477 basis points (4.77 percentage points). This divergence marked the largest since March 2023, when growth stocks outperformed by 654 basis points.

A key factor behind the underperformance of growth stocks was a significant decline in chip company stocks. This followed news that the Biden administration was considering stringent export curbs if companies like Tokyo Electron and the Netherlands' ASML Holding continued providing China with advanced semiconductor technology. Major chipmakers, including Taiwan Semiconductor Manufacturing, Broadcom, and NVIDIA, saw substantial declines.

Despite solid returns this year, overall gains in the S&P 500 have been heavily influenced by sharp increases in the largest tech companies. The S&P 500 is market-cap weighted, meaning larger companies have a greater impact on the index's movements. The average year-to-date gain of 37 per cent for mega-cap tech companies like Apple, Microsoft, Amazon, Alphabet, Meta, NVIDIA, and Tesla has been a driving force for 2024, continuing 2023's trend where the "Magnificent 7" significantly contributed to the S&P 500's 26 per cent gain.

Market analysts noted that polls suggesting a potential Republican sweep in the November elections appeared to benefit value stocks. The prospect of reduced banking regulations seemed to boost the value-oriented financial sector, while expectations of higher tariffs under a possible Trump administration favoured industrial and business services shares.

Economic reports mostly exceeded expectations. Notably, retail sales, excluding the volatile gas and auto segments, jumped 0.8 per cent in June, marking the largest increase since January 2023. However, the Labour Department's weekly jobless claims report showed a rise in the number of Americans filing for unemployment, reaching 2,43,000—a nine-month high.

GLOBAL INDICES

Indices	July 9, 2024	July 23, 2024	Gain / Loss (%)
S&P 500	5,572.85	5,564.41	-0.2
Dow Jones Ind	39,344.79	40,415.44	2.7
Nasdaq Composite	18,403.74	18,007.57	-2.2
FTSE 100	8,193.70	8,198.78	0.1
DAX	18,380.90	18,407.07	0.1
CAC 40	7,627.45	7,622.02	-0.1
Hang Seng	17,534.54	17,582.92	0.3
Nikkei	41,580.17	39,634.75	-4.7
Shanghai	2,959.37	2,944.51	-0.5
S&P ASX 200	7,829.70	7,974.80	1.9

In Europe, the pan-European STOXX Europe 600 Index fell 2.68 per cent, influenced by escalating U.S.-China trade tensions. Among major Continental indexes, Germany's DAX dropped 3.07 per cent, France's CAC 40 lost 2.46 per cent, and Italy's FTSE MIB declined 1.05 per cent. The UK's FTSE 100 Index fell 1.18 per cent. The European Central Bank (ECB) kept its key interest rates unchanged at 3.75 per cent, as expected. The ECB emphasized that future decisions would be data-driven.

In Japan, stock markets declined, with the Nikkei 225 Index falling 2.7 per cent and the TOPIX Index down 1.2 per cent. Speculation about potential interest rate hikes by the Bank of Japan (BoJ) at its July end meeting, alongside details on tapering its bond purchases, led to a slight drop in the yield on the 10-year Japanese government bond, from 1.06 per cent to 1.04 per cent.

Chinese equities rose despite weaker-than-expected second-quarter economic growth in the past fortnight. The Shanghai Composite Index increased by 0.37 per cent, and the CSI 300 climbed 1.92 per cent. However, Hong Kong's Hang Seng Index fell by 4.79 per cent. China's GDP grew by 4.7 per cent in the second quarter, below expectations and slower than the 5.3 per cent growth in the first quarter. On a quarterly basis, the economy expanded by 0.7 per cent, less than half of the previous quarter's revised 1.5 per cent growth.

QueryBoard

Investment Horizon Query-Specific

KAYCEE INDUSTRIES LIMITED

I possess 210 shares of Kaycee Industries post-stock split and bonus shares. The stock has been hitting a back-to-back upper circuit. Should I continue to hold or sell?

– Puneet Singh

BUY

BSE/NSE Code	504084 / KAYCEEI
Face Value	₹10
CMP	₹1,631.75
52-Week	High ₹1,631.75 / Low ₹208
Your Current Profit/(Loss)	--

Founded in 1942, Kaycee Industries Ltd., a subsidiary of Salzer Electronics Ltd., manufactures and supplies industrial electrical switches, mechanical counters, hour meters, cable lugs, etc. to sectors like power, telecom and renewable energy. Its products include rotary switches, toggle switches, stroke counters, and more, with a manufacturing capacity of 500 tonnes per month. Its Q4FY24 results reveal a 20 per cent jump in sales to ₹13.47 crore and a 77 per cent increase in profit to ₹1.57 crore compared to the same period last year. The FY24 results show a 17 per cent rise in sales to ₹48.81 crore and a 29 per cent increase in profit to ₹4.49 crore.

Furthermore, the company boasts a strong market capitalisation exceeding ₹500 crore. The recent surge in its stock price suggests a bullish trend, and while selling now will secure some profit, you might miss out on potential future gains. Holding the stock is supported by the company's solid fundamentals and growth prospects. Investors can consider various options: holding the entire stake, selling a portion to lock in profits, or completely selling while monitoring the company's performance to potentially **BUY** back later at a favourable entry point.

HI-TECH PIPES LIMITED

I have invested in Hi-Tech Pipes, which is gaining good profit. Is it likely to continue its upward movement?

- Rohit Saxena

HOLD

BSE / NSE Code	543411 / HITECH
Face Value	₹1
CMP	₹145.45
52-Week	High ₹170.25 / Low ₹74.00
Your Current Profit/(Loss)	--

Hi-Tech Pipes Ltd. is a leading steel pipe manufacturer in India, supplying pipes to a wide range of industries including infrastructure and automobiles. The company has five manufacturing plants strategically located across India. It has achieved record-breaking sales in Q1FY25, reflecting its dedication to excellence, innovation and customer satisfaction. As compared to the same period last year, its Q1 sales volume surged by 45 per cent to 122,155 MT. This is a 13 per cent increase from Q4FY24's sales volume of 107,721 MT. The company credits strategic initiatives such as product line expansion, enhanced marketing efforts and process optimisations for this accomplishment. Hi-Tech Pipes has posted a strong financial performance with compounded sales growth of 26 per cent and profit growth of 24 per cent over the last three years and a recent increase in promoter stake. However, while the current market sentiment is positive and the stock price might continue to rise in the short term, there are some warning signs: the PE is currently high at 52.2 times compared to the historical median of 20 times, the company's top-line has declined year-over-year, borrowings have increased, and the working capital cycle has lengthened. As the stock is in momentum it may continue to rise for a while. But a wise decision would be book partial profit and **HOLD** the rest.

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

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Send in your queries:

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Email:editorial@dsij.in

QueryBoard

Investment Horizon
Query-Specific

GOKALDAS EXPORTS LIMITED

Considering a 3-5-year investment horizon, how do you see Gokaldas Exports performing? Would it be a good buy?

– Sheena Duggal

BUY

BSE/NSE Code	532630 / GOKEX
Face Value	₹5
CMP	₹897.90
52-Week	High ₹1022.00 / Low ₹480.05
Your Current Profit/(Loss)	--

Gokaldas Exports Ltd., a leading garment manufacturer based in India, has carved a niche for itself in the global apparel industry. Its expertise lies in designing, manufacturing and selling a diverse range of clothing for men, women and children. This comprehensive selection caters to every taste and season, encompassing outerwear for harsh weather, comfortable active wear for fitness enthusiasts and stylish everyday fashion pieces. The company boasts a healthy market capitalisation exceeding ₹6,500 crore and has shown impressive profit growth with a 34.7 per cent compound annual growth rate (CAGR) over the past five years.

However, recent quarterly results show a mixed picture. While its net sales surged by 55.3 per cent to ₹812.42 crore in Q4FY24 compared to Q4FY23, the operating profit witnessed a more modest increase of 16.6 per cent to ₹90 crore. Disappointingly, the net profit declined by 6.2 per cent to ₹44.28 crore during the same period. Looking at the annual performance for FY24 compared to FY23, its net sales grew by a steadier 7 per cent to ₹2,378.88 crore, but operating profit and net profit saw declines of 4 per cent and 24.3 per cent, respectively, reaching ₹284.11 crore and ₹131 crore.

Gokaldas Exports, despite its strong financials, has a high PE ratio of 51.4 times, which may be priced above its intrinsic value by investors. However, we anticipate robust demand growth in the coming quarters due to global apparel demand or new market penetration. The company is also focusing on margin improvement and operational enhancements to boost profitability and revenue growth. Despite the current valuation concerns, the company's focus on growth and efficiency suggests a promising future. Also, we are expecting a slightly deep share price which will be a good time to make a fresh entry.

Hence, we recommend **BUYING** the stock.

GRM OVERSEAS LIMITED

I have bought 300 shares of GRM Overseas Ltd at ₹183. What's the long-term outlook?

- Dhaval Gosai

HOLD

BSE/NSE Code	531449 / GRMOVER
Face Value	₹2
CMP	₹194.80
52-Week	High ₹231.35 / Low ₹114.15
Your Current Profit/(Loss)	6.44 per cent

GRM Overseas Ltd., a leading Indian company in the basmati rice industry, mills, processes and markets both branded and non-branded basmati rice for domestic consumption and international export. Its product range goes beyond just basmati rice and also includes flour (Shakti Chakki Fresh) and ready-to-cook biryani kits in various regional styles like those of Moradabad, Hyderabad and Lucknow. GRM Overseas has launched a new 'Gulistan Kachi Ghani Mustard Oil' in one and five litre packs to meet India's growing demand for healthy options. To support this expansion, it has secured a significant investment of ₹136.5 crore from promoters and non-promoters.

This capital will fuel three key areas: strengthening their '10X' basmati rice brand domestically, improving operational efficiency and potentially acquiring strategic players within the food FMCG sector. On the international front, GRM Overseas is expanding its reach through a two-year distribution deal worth ₹600 million for 'Tanoush' basmati rice with Diplomat Georgia, aiming to leverage its presence in nearby regions. It has also secured a massive order from Yemen's top basmati importer, further solidifying its position as a major player in that region.

The company with a market capitalisation exceeding ₹1,200 crore displays promising signs for future performance. Its financial results for both the recent quarter (Q4FY24) and the fiscal year (FY24) have been strong. In a positive indicator of confidence in the company, its promoters have increased their stake to 72.16 per cent from 71.72 per cent in March 2023, and FIIs have increased their stake to 0.26 per cent from 0.07 per cent. The company trades at a reasonable PE of 20 times compared to the industry PE of 40 times while boasting an ROE of 20.1 per cent and ROCE of 15 per cent, indicating healthy profitability with growth. It has also recently launched a new product that is expected to contribute to future growth. Hence, we recommend **HOLDING** the stock.

JUPITER WAGONS LIMITED

I have bought 144 shares of Jupiter Wagons at ₹501 per share and the current price is around ₹660. Should I hold on to the shares for potential future growth or book profit?

- **R K Soni**

HOLD

BSE/NSE Code	533272 / JWL
Face Value	₹10
CMP	₹619.50
52-Week	High ₹748.05 / Low ₹182
Your Current Profit/(Loss)	23.55 per cent

Jupiter Wagons Ltd., known for its railway freight wagons and components, has a broader reach through its subsidiary, Commercial Engineers and Body Builders Company Ltd. (CEBBCO). CEBBCO manufactures metal-fabricated products like shipping containers, truck bodies for various purposes (garbage collection, troop transport, etc.) and water tankers, serving a diverse range of industries like mining, construction and waste management. It has been winning orders across various sectors, including public and private rail and defence. The launch of electric light commercial vehicles and expansion into brake systems and specialised containers for data and battery storage are promising.

According to the company's financials, it has a market capitalisation of over ₹25,000 crore and has delivered good profit growth of 80.1 per cent CAGR over the last five years. In Q4FY24, the company delivered strong financial results. Its net sales surged 57 per cent YoY to ₹1,115.41 crore. The EBITDA followed suit, rising 71 per cent YoY to ₹158.95 crore. The company's profit after tax (PAT) witnessed a significant increase of 166 per cent YoY to ₹106.23 crore. Its financial performance for FY24 was strong, with net sales increasing by 76 per cent to ₹3,643.73 crore. Its profit after tax (PAT) followed suit, surging 170 per cent to ₹333.74 crore.

With a healthy cash flow and working capital plus a planned wheel set production increase, the company expects significant growth and improved margins across its business in FY25. It is poised to capitalise on growth opportunities in the Indian Railways sector through innovation, strategic partnerships and capacity expansion. JWL has established joint ventures with leading companies, focusing on brake systems, wheel sets and electric vehicles. Jupiter Electric Mobility manufactures electric light commercial vehicles. Also, the company has a robust order book of ₹71 billion (₹7,100 crore). Hence, we recommend **HOLDING** the stock.

SIRCA PAINTS INDIA LTD

Do you recommend buying Sirca Paints' stock as a long-term investment?

- **Apoorva Shelke**

SELL

BSE/NSE Code	543686 / SIRCA
Face Value	₹10
CMP	₹361.40
52-Week	High ₹443.90 / Low ₹283.50
Your Current Profit/(Loss)	--

Sirca Paints India Ltd. is a major player in wood coatings and decorative paints. It offers a range of products under different brands, catering to both the luxury (Sirca) and the mass market (Unico) segments. It holds the top spot for premium wood coatings in North India and is among the top three nationwide. Sirca has a strong presence in Nepal, Bangladesh and Sri Lanka as an exclusive licensee for its products in those regions. To meet the growing demand, Sirca recently expanded its production capabilities by installing new automated lines specifically for high-end Italian wood coatings.

Considering the financials, the company has a market capitalisation of over ₹2,000 crore and as of March 31, 2024, it is debt-free. In its quarterly results, the net sales increased by 21 per cent to ₹82.64 crore, operating profit increased by 29 per cent to ₹18.34 crore and net profit increased by 32 per cent to ₹12.51 crore in Q4FY24 compared to Q4FY23. In its annual results, the net sales increased by 16 per cent to ₹311.72 crore and net profit increased by 12 per cent to ₹51.43 crore in FY24 compared to FY23. The company is expanding rapidly through strategic acquisitions ('Welcome' brand) and partnerships (OIKOS for high-value paints). It is targeting aggressive growth in Asia Pacific exports and projects a significant revenue increase from wall paints. To achieve this, it is investing in new plants with capital expenditure of ₹10 crore and is aiming for high-capacity utilisation. The company is aiming for 40 per cent growth in 2025, focusing on wood coating and wall paint expansion. Sirca plans to double its overall volume over the next 2-3 years through organic and inorganic growth. Despite temporary disruptions in the polyurethane segment due to fluctuating demand, Sirca is confident in its position as an original equipment manufacturer (OEM) with established players like Sleek Kitchens and Godrej.

Hence, we recommend **BUYING** the stock.

(Closing price as of July 19, 2024)

Reviews

In this edition, we have reviewed **Vascon Engineers Limited** and **Aptus Value Housing Finance India Limted..** We suggest our reader-investors to **HOLD** Vascon Engineers Limited and Aptus Value Housing Finance India Limted.

Vascon Engineers Limited	HOLD	Change 1.16 Per Cent ↓	CMP - ₹72.30
BSE CODE 533156	Reco. Price ₹73.15	Face Value ₹10	

We had recommended Vascon Engineers Ltd. in Volume 39, Issue No. 2 dated Dec 18, 2023 — Dec 31, 2023, under the 'Low Price' segment. The recommended price for the stock was ₹73.15. We had recommended the stock based on its strong financial position, robust order book and solid foundation. Established in 1986, the company has diversified into real estate development with 23 years of experience. With 179 engineering, procurement and construction (EPC) contracts completed, it owns and operates selected projects through subsidiaries.

In Q4FY24, on a consolidated basis, its revenue increased by 2.47 per cent YoY to ₹335.42 crore compared to ₹327.34 crore from the previous year's same quarter. On a sequential basis, the revenue increased by 19.69 per cent. The PBIDT excluding other income decreased by 64.4 per cent to ₹17.62 crore YoY as compared to ₹49.49 crore from the previous year's same quarter, while sequentially it decreased by 34.64 per cent. Its net profit stood at ₹16.86 crore compared to ₹45.87 crore, a YoY decrease of 63.24 per cent, while sequentially decreasing by 11.26 per cent from ₹19 crore.

At TTM, the shares of Vascon Engineers are trading at a PE of 26.8 times, which is higher than its three-year median PE of 14.2 times, whereas the industry PE stands at 40.5 times. If we look at its PBV, it is currently at 1.84 times, which is lower than the industry PBV of 3.57 times. The company has a three-year average return on equity (ROE) of 6.30 per cent and a return on capital employed (ROCE) of 7.30 per cent. It is set to experience a strong year with several positive indicators. The company's project pipeline is expected to significantly contribute to its performance. The EPC segment has shown consistent growth, with YoY revenue increases of 9 per cent and 14 per cent in Q4FY24.

Vascon Engineering's robust order book, valued at ₹3,365 crore, has a significant portion of government projects. The real estate sector is also showing promise, with completed projects and partnerships with leading realtors positioning the company to capitalise on this growing market. Its strong order backlog and healthy financial position provide a solid foundation for future growth, with an ambitious order booking target of ₹1,500 crore by April 2025. The company expects improvements in EBITDA and PBT margins in the next fiscal year, indicating a positive outlook for profitability.

Hence, we recommend **HOLD**.

Aptus Value Housing Finance India Limted	HOLD	Change 1.84 Per Cent ↓	CMP - ₹320.00
BSE CODE 543335	Reco. Price ₹326	Face Value ₹2	

We had recommended Aptus Value Housing Finance India Ltd. in Volume 39, Issue No. 3 dated Jan 1, 2024 — Jan 14, 2024, under the 'Cover Story' segment. The recommended price for the stock was ₹326. We had recommended the stock based on business growth, healthy dividend payout ratio and digital adoption. The company is a retail-focused housing finance company in India, primarily serving low and middle-income self-employed customers in rural and semi-urban markets. The company offers home loans for property purchases, home improvement, extension loans, loans against property and business loans. It has diversified its geographical presence and is focusing on deeper penetration in the existing markets. The company has leveraged technology in various facets of its operations, enabling digitisation of the entire loan lifecycle and increased collection efficiencies. In Q4FY24, on a consolidated basis, its revenue increased by 25.47 per cent YoY to ₹374.54 crore compared to ₹298.51 crore from the previous year's same quarter. On a sequential basis, the revenue increased by 6.58 per cent. The PBIDT excluding other income increased by 27.02 per cent to ₹309.27 crore YoY as compared to ₹243.47 crore from the previous year's same quarter, while sequentially increasing by 4.92 per cent.

Its net profit stood at ₹164.03 crore compared to ₹135.3 crore, a YoY increase of 21.24 per cent, while sequentially increasing by 4.09 per cent from ₹157.59 crore. At TTM, the shares of Aptus Value Housing Finance India are trading at a PE of 26.6 times, which is slightly lower than its three-year median PE of 27.1 times, whereas the industry PE stands at 21.4 times. If we look at its PBV, it is currently at 4.34 times, which is higher than the industry PBV of 2.80 times. The company has a three-year average return on equity (ROE) of 16.3 per cent and a return on capital employed (ROCE) of 14.3 per cent.

The company is focusing on growing disbursements and loan books in housing and small business loans, expanding into existing geographies, and strengthening analytics and digital adoption. It plans to add 35-40 branches in Telangana, Karnataka, Maharashtra and Odisha, with the first branch opened in Maharashtra. The company has declared a dividend of ₹2.50 and plans to maintain a reasonable dividend payout ratio. Its future plans include 30 per cent business growth, maintaining a balanced loan book composition, and increasing leverage to 4-5 times. 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

GOLD STANDARD

Titan Company Limited
BSE Code: 500114
CMP: ₹3468.15

Gossip enthusiasts, investors have picked up on the potential for a new rally in gold. Titan Company Ltd is among India's most respected lifestyle companies. The Titan Company share price was among the largest gainers in Nifty50 stocks even as the Nifty-50 index saw steep corrections. To boost domestic value addition in gold and precious metal jewellery, the Finance Minister proposes to reduce customs duties on gold and silver to 6 per cent, and on platinum to 6.4 per cent. Investors to keep an eye on these buzzing stocks!

TECHNICALLY SOUND

ITC Ltd
BSE Code: 500875
CMP: ₹492.05

Hello gossip mongers! With the budget being the main focus, investors were pleased to see no price hikes in ITC products, which further boosted sentiment in the consumption sector. ITC is the largest cigarette manufacturer and seller in the country. Currently, ITC operates in five business segments: FMCG Cigarettes, FMCG Others, Hotels, Paperboards, Paper and Packaging, and Agri Business. According to chartists, the stock has demonstrated a continuation price pattern breakout and has shown strong momentum in recent trading sessions. If everything falls in place the stock might witness a significant upward swing!

POISED FOR GROWTH

NTPC Ltd
BSE Code: 532555
CMP: ₹382.35

Continuing the momentum of positive outcomes, next in line we have NTPC! The development of indigenous technology for Advanced Ultra Super Critical (AUSC) thermal power plants, which offer significantly higher efficiency, has been completed. A joint venture between NTPC and BHEL will establish a full-scale 800 MW commercial plant using AUSC technology. The government will provide the necessary fiscal support. If you don't want to miss out on this trending stock, then hop on the bandwagon, as NTPC is well-positioned for its rapid ascent in the coming times.

DON'T MISS OUT

SUZLON ENERGY LTD.
BSE Code: 532667
CMP: ₹57.82

A strategy to maintain high and resource-efficient economic growth while ensuring energy security in terms of availability, accessibility, and affordability. A policy document will be released on suitable energy transition pathways that balance the needs for employment, growth, and environmental sustainability. With this news the famous energy stock has seen a significant rally: Suzlon is a major global player in renewable energy solutions and operates as a vertically integrated wind turbine generator (WTG) manufacturer. Investors to keep an eye on this trending stock!

(Closing price as of July 23, 2024)

MUTUAL FUND *UNLOCKED*

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Focusing on Tax Simplification in Mutual Funds

The latest Union Budget has significantly moved toward simplifying tax structures across various asset classes, offering greater clarity for investors and aiding in better post-tax return analysis for informed decision-making. These changes impact mutual fund investments differently, altering their tax treatment in both the short and long term.

Previously, mutual funds were subject to varying tax categories, including long-term and short-term capital gains, marginal tax rates, and indexation benefits. The new Budget streamlines these categories, eliminating the concept of indexation. Under the new tax regime, equity mutual funds with more than 65 per cent equity holdings will be taxed as capital assets, with a short-term tax rate of 20 per cent and a long-term rate of 12.5 per cent for holdings over one year. Funds holding more than 65 per cent in debt securities are taxed at the marginal rate. There is no distinction between short-term and long-term investments.

Other funds, including gold index funds, gold ETFs, funds of funds investing in equity, international funds, and conservative or hybrid funds, also fall under this simplified tax structure.

While the new structure simplifies the tax landscape, it raises concerns regarding the treatment of debt mutual funds. Debt should also be considered a capital asset and warrant a more favourable tax treatment. Under the current scheme, debt mutual funds have become less attractive, despite their crucial role in an investor's asset allocation.

Overall, the Budget 2024 simplifies the tax structure for mutual funds, providing significant benefits for long-term investors in specific categories. This clarity will help investors make more informed decisions, ultimately aiding in effective portfolio management and optimisation of returns.

Shashikant

Shashikant Singh
Executive Editor

Front Running in Mutual Funds

The recent front-running cases in mutual funds have been alarming for many. But what can or should investors do to safeguard their investments in such a scenario?

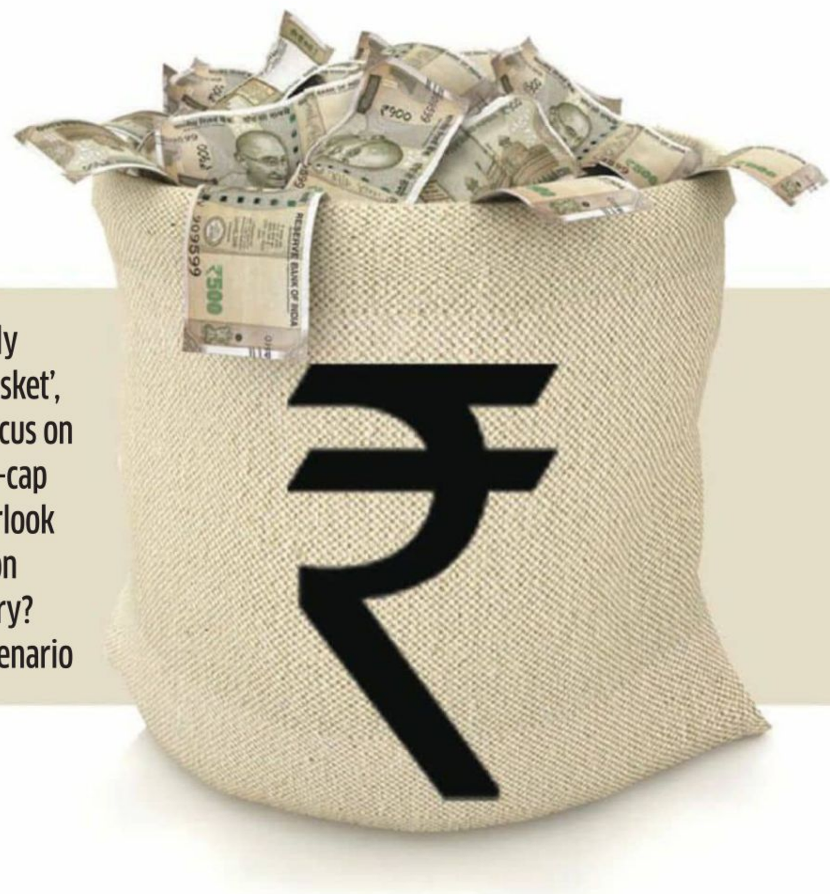
- Martin Kotikela

Editor Responds : Thank you for raising these concerns. The recent front-running cases in mutual funds, particularly those involving Quant Mutual Fund, have heightened investor concerns. SEBI has taken significant steps to investigate these irregularities, underscoring the importance of transparency and accountability within the mutual fund industry.

In such a scenario, you must stay informed about the latest developments and regulatory actions. Keeping abreast of current information, rather than relying on rumours or speculations, helps in making well-informed decisions. It is also important to consider the history and reputation of the fund management team. Paying close attention to fund disclosures, especially those related to ongoing investigations or regulatory issues, is crucial in assessing potential risks. This vigilance helps you stay proactive in safeguarding your investments from front-running or other market malpractices.

Content

Should You Entrust All Your Money To A Single AMC?



If you are a market participant, you have probably heard the quote 'don't put all your eggs in one basket', which suggests diversification. Investors often focus on diversifying across categories like large-cap, mid-cap and small-cap, but they may unintentionally overlook diversification across different AMCs. The question arises: is AMC-wise diversification really necessary? Rakesh Deshmukh takes a closer look at this scenario

Are you the type of person who likes to go to a particular market and buy products for which they are famous, or do you normally go to a supermarket, mall or chain store where you can find everything under one roof? The latter option not only saves time but also the effort of going to different places. Obviously, each has its own pros and cons, which we eventually realise after some time. Similarly, in the world of finance, there are types of investors who prefer to buy stocks or mutual funds belonging to the same group or AMC, while other investors buy from different groups according to trends or suggestions.

A key question you might have while reading this article is whether having multiple funds from the same AMC – even if they are in different categories like large-cap, mid-cap and small-cap – increases your risk unnecessarily. Should you think about spreading your investments across different AMCs instead? Many investors prefer the simplicity of managing all their investments under one AMC. They trust the consistency and ease of overseeing their funds in a single place. On the other hand, some opt for diversification across various AMCs to spread risk and access different investment strategies. They appreciate the potential for higher returns and the flexibility of choice.

The real question then arises: which approach is best for you as an investor? We have noticed that certain AMCs or fund houses lead or dominate their peers in terms of returns. For example, in the year 2019-20, Axis Mutual Fund was dominant across categories, as shown in the table below. Similarly, in 2020-21, Axis Mutual Fund and PGIM Mutual Fund dominated other funds in terms of returns. Moreover, in 2021-22, Quant Mutual Fund took the lead and dominated the other funds. Investors often chase higher returns by adding these dominant funds to their portfolios without conducting proper research. Furthermore, if anything goes against expectations, investors may have to book losses.

Scheme Name	AuM (Cr)	Absolute Returns %	Annualized Returns %
Flexi Cap Fund			
Axis Flexi Cap Fund	12,721.36	30.11	14.07
UTI Flexi Cap Fund	25,696.23	18.04	8.65
Canara Robeco Flexi Cap Fund	13,190.04	15.93	7.67
Parag Parikh Flexi Cap Fund	71,700.48	15.83	7.62
Kotak Flexi Cap Fund	51,094.44	14.2	6.87
Focused Fund			
360 ONE Focused Equity Fund	7,640.97	23.03	10.92
Axis Focused Fund	13,880.51	19.1	9.13
Motilal Oswal Focused Fund	1,969.66	15.52	7.48
DSP Focus Fund	2,515.58	14.23	6.88
SBI Focused Equity Fund	35,016.00	13.81	6.68
Large Cap Fund			
Axis Bluechip Fund	34,520.15	30.68	14.31
Canara Robeco Bluechip Equity Fund	13,930.64	23.66	11.2
LIC MF Large Cap Fund	1,514.67	18.87	9.03
Edelweiss Large Cap Fund	974.94	16.77	8.06
Baroda BNP Paribas Large Cap Fund	2,120.44	16.22	7.8
Mid Cap Fund			
Axis Midcap Fund	30,143.58	18.28	8.76
Invesco India Mid Cap Fund	5,216.03	1.76	0.88
DSP Midcap Fund	19,137.27	0.36	0.18
Kotak Emerging Equity Fund	49,023.27	-0.94	-0.47
Motilal Oswal Midcap Fund	12,627.68	-1.35	-0.68
Small Cap Fund			
Axis Small Cap Fund	22,262.42	11.4	5.55
Kotak Small Cap Fund	16,707.37	-10.24	-5.26
ICICI Prudential Smallcap Fund	8,438.19	-12.48	-6.42
SBI Small Cap Fund	30,835.87	-12.55	-6.49
HDFC Small Cap Fund	31,522.66	-14.21	-7.38

Do you remember the Adani Group and Hindenburg case, where Adani Group's stocks experienced a significant decline following a research report by Hindenburg? The reason for raking up this issue is that at that time, many fund houses had added Adani Group stocks to their portfolios. When Hindenburg released its research report, the stocks plummeted, causing a significant drop in share prices as well as a corresponding drop in the NAVs of the mutual funds holding these stocks.

At that time, a total of 154 funds were exposed to Adani Group stocks, with 107 being passively managed (index funds and ETFs), and the remaining 47 funds being actively managed as of December 31, 2022. Among the actively managed funds, investments were concentrated in Adani Enterprises, Adani Total Gas and Adani Ports and Special Economic Zone among all the listed Adani Group companies. Quant Mutual Fund, Nippon India Mutual Fund, Tata Mutual Fund and UTI Mutual Fund had the highest exposures to Adani Group stocks.

Fund House	Amount Invested ₹ Cr	% of Equity AUM (As of December 31,2022)
Quant Mutual Fund	610	4.3
Nippon India Mutual Fund	269	0.3
Tata Mutual Fund	215	0.6
UTI Mutual Fund	200	0.3

As noted, Quant Mutual Funds had the highest exposure to Adani Group stocks at that time. Suppose you had included large-cap, mid-cap and small-cap stocks from the same AMC Quant Fund thinking that you were diversifying well, the scene would have been quite different behind the stage. Surely, you would have faced significant challenges and experienced a massive reduction in your overall portfolio returns. You correctly diversified across categories but selected the same AMC, which may not have caused issues if you had chosen an AMC other than Quant Mutual Fund.

Let's analyse the decline in NAV following the research report published by Hindenburg on Adani Group stocks. At the same time, we will compare the performance of Quant Mutual Fund versus the SBI Mutual Fund during this period to understand the potential impact on portfolios that solely held Quant Mutual Funds compared to those diversified across different AMCs. The reason for comparing with SBI Mutual Funds is that it is the largest AMC in India based on total AUM size.

	Quant Mutual Fund				SBI Mutual Fund			
	Large Cap	Mid Cap	Small Cap	Multi Cap	Large Cap	Mid Cap	Small Cap	Multi Cap
NAV Date	NAV (₹)	NAV (₹)	NAV (₹)	NAV (₹)	NAV (₹)	NAV (₹)	NAV (₹)	NAV (₹)
02/01/23	59.06	152.1	147.41	463.05	63.89	145.12	114.47	230.48
24-01-2023 (Hindenburg Report)	58.11	149.14	145.4	451.77	63.82	142.49	111.07	225.38
31/01/23	56.01	144.66	142.85	433.04	62.73	142.75	111.21	222.06
28/02/23	53.94	139.43	138.54	411.56	61.96	145.6	109.82	217.5
Reduction in NAV (%)	-7.20%	-6.50%	-4.70%	-8.90%	-2.90%	2.20%	-1.10%	-3.50%

Looking at the data above, Quant Mutual Funds was significantly impacted compared to SBI Mutual Fund. The reduction in NAV for Quant Mutual Funds is more pronounced across all categories compared to SBI Mutual Fund. In every category, SBI Mutual Fund has outperformed Quant Mutual Fund, with even the mid-cap category from SBI Fund delivering positive returns during this period. Currently, if you are holding mutual funds across categories but from the same mutual fund company in your portfolio, then you should definitely check the stocks in the fund's portfolio.

Consider the image alongside. Reliance Industries and HDFC Bank are part of all the funds compared with different categories from the same AMC, which is Quant Mutual Fund. Moreover, Jio Financial Services is part of three out of the four funds under comparison. If something goes against expectation with these stocks for any reason, whether due to financial mismanagement or geopolitical situations, the NAV of the funds will be impacted substantially, and reduction in gains in the overall portfolio and diversification benefits will get compromised.

Scheme Name	Quant Active Fund			Quant Small Cap Fund			Quant Mid Cap Fund			Quant Large Cap Fund		
	Equity	Others		Equity	Others		Equity	Others		Equity	Others	
	Comp Name	Value	%	Comp Name	Value	%	Comp Name	Value	%	Comp Name	Value	%
Top 5 Holdings	Reliance Industries Limited	₹ 1146.25	10.65	Reliance Industries Limited	₹ 2441.38	10.63	Reliance Industries Limited	₹ 920.1	10.52	Reliance Industries Limited	₹ 150.28	9.93
	HDFC Bank Limited	₹ 711.83	6.62	HDFC Bank Limited	₹ 1669.91	7.27	HDFC Bank Limited	₹ 812.01	9.28	HDFC Bank Limited	₹ 147.84	9.77
	Adani Power Limited	₹ 429.87	4	Jio Financial Services Limited	₹ 1305.16	5.68	Aurobindo Pharma Limited	₹ 727.34	8.31	Marico Limited	₹ 98.23	6.49
	Jio Financial Services Limited	₹ 408.94	3.8	Aegis Logistics Limited	₹ 819.11	3.57	Samvardhana Motherson International Ltd	₹ 708.46	8.1	Tata Power Company Limited	₹ 91.71	6.06
	Aurobindo Pharma Limited	₹ 406.03	3.77	Bikaji Foods International Limited	₹ 805.32	3.51	Container Corporation of India Ltd	₹ 653.48	7.47	Jio Financial Services Limited	₹ 91.16	6.02
Weightage to top 5 Holdings	Value: ₹ 3102.91 in Cr. Percentage: 28.84%			Value: ₹ 7040.88 in Cr. Percentage: 30.66%			Value: ₹ 3821.39 in Cr. Percentage: 43.69%			Value: ₹ 661.45 in Cr. Percentage: 43.7%		

Let me clarify that the Securities and Exchange Board of India (SEBI) has guided fund houses regarding exposure in stocks across different categories. For instance, SEBI mandates that mid-cap funds allocate at least 65 per cent of their investments in mid-cap stocks. The remaining allocation can be made into large-cap stocks or mid-cap stocks based on fund managers' strategies and analyses.

Pitfalls of a Concentrated Portfolio in a Single AMC

1) Dependency on Star Fund Managers — Investing solely based on the reputation of a star fund manager within a single AMC can pose significant risks. While a talented manager can drive impressive returns, their departure from the AMC could disrupt your investment strategy. Investors may find it challenging to track and follow the manager to a new firm, and if they exit the fund management profession altogether, there's no continuity plan in place.

This highlights the importance of not overly relying on individual personalities but instead focusing on robust investment processes and strategies. As per the data presented alongside, Ankit Pande is the fund manager for various funds. Most probably, his strategy would exactly be more or less the same, and he might have chosen the same stocks for each category, as explained earlier. If he is the star fund manager for you and leaves Quant Mutual Fund, then you might be in trouble

Funds	Fund Manager	Category	AUM ₹ Cr	NAV ₹	Return (%)1 yr
Quant Flexi Cap Fund(G)	Ankit Pande	Flexi Cap	6,885.20	109.42	62.42
Quant Focused Fund(G)	Ankit Pande	Large Cap	1,059.00	92.11	48.15
Quant Large & Mid Cap Fund(G)	Ankit Pande	Large-Mid Cap	3,290.30	130.62	66.15
Quant Large Cap Fund-Reg(G)	Sandeep Tandon	Large Cap	1,513.80	15.65	46.68
Quant Mid Cap Fund(G)	Ankit Pande	Mid Cap	8,747.40	253.42	71.61
Quant Small Cap Fund(G)	Ankit Pande	Small Cap	22,967.20	275.49	66.31

2) Risk of AMC Failure — Placing all your investments with a single AMC exposes you to heightened risks, particularly concerning the potential for the AMC's failure. Instances of financial irregularities, scandals or mismanagement at the AMC level can have severe repercussions across all the schemes in which you are invested. For example, if the AMC faces allegations of financial misconduct or regulatory scrutiny, it could lead to significant losses. Sometimes, AMCs face abrupt redemptions after news breaks, forcing an AMC to put an embargo on redemptions.

Such events highlight the critical importance of diversifying investments across multiple AMCs to mitigate the impact of any single AMC's operational or financial challenges impacting your overall investment portfolio. Probably you have heard of the front-running case involving Quant Mutual Fund. Front-running happens when a person, usually an insider or a broker, makes a trade in advance based on privileged information.

For example, if a broker knows that a big client is going to buy a large number of shares of a company and he also buys some shares in his personal account before the transaction is done, it is a case of front-running. SEBI's surveillance system indicated a case of front-running by suspected entities that were privy to what Quant Mutual Fund was going to buy or sell. It is suspected that Quant Mutual Fund's executives who knew the size and execution timing of the orders may have passed on confidential information regarding the impending trade order to suspected beneficiaries.

The net asset value of four funds dropped by more than 1 per cent from the previous day's NAV after the news was out in public. The NAV of Quant Healthcare Fund decreased by 1.75 per cent, followed by Quant Commodities Fund, which went down by 1.54 per cent while Quant PSU Fund and Quant Active Fund declined by 1.37 per cent and 1.21 per cent, respectively. Following an investigation by the SEBI, investors of Quant Mutual Fund redeemed investments worth approximately ₹1,400 crore over three days. Furthermore, this event raised concerns among investors about whether to continue, start or stop their ongoing investments and SIPs.

3) Concentration Risk — A concentrated portfolio within a single AMC increases concentration risk, whether due to holding an excessive number of schemes from that AMC or having a significant percentage of your portfolio invested there. For example, you might have six funds overall, five of which are from one AMC. Alternatively, you could spread your investments across seven funds from six different AMCs, yet one AMC constitutes 80 per cent of your portfolio, leading to substantial exposure.

This concentration exposes your portfolio to heightened vulnerability from market volatility, regulatory changes or operational issues affecting the specific AMC. Diversifying investments across multiple AMCs mitigates these risks by distributing investments across diverse sectors, asset classes and geographical areas, thereby reducing the impact of adverse developments specific to any single AMC.

4) Overlapping — When investing in equity funds, holding multiple funds from the same AMC can lead to excessive stock overlap. For instance, as highlighted earlier, Ankit Pande manages several funds at Quant Mutual Fund, potentially resulting in similar stock selections across different categories like large-cap, mid-cap and small-cap. This concentration increases vulnerability to adverse events affecting those specific stocks. In contrast, diversifying across different fund houses introduces a variety of unique investment styles and processes.

For example, investing in funds managed by different AMCs like Nippon India, Tata and UTI, alongside Quant Mutual Fund, spreads the risk across diverse strategies and reduces dependence on any single fund manager's decisions. This diversified approach not only mitigates overconcentration in specific stocks but also enhances portfolio resilience and performance by leveraging the strengths of multiple investment philosophies and market approaches. In short, as the adage about the basket and the eggs states, it's always better to spread your investments across different AMCs.

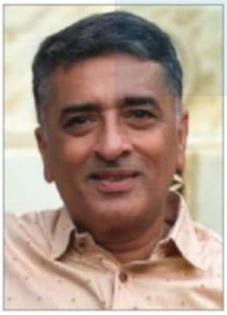
Conclusion

In conclusion, the importance of diversification across multiple AMCs cannot be overstated in today's volatile financial landscape. Recent incidents, such as the Quant Mutual Fund front-running case and the Adani Group stock debacle, highlight the vulnerabilities of over-concentration in a single fund house. By spreading investments across different AMCs, investors not only mitigate the risk of specific AMC-related issues but also gain exposure to a broader array of investment opportunities and strategies. This approach enhances portfolio resilience against market fluctuations, regulatory scrutiny and unforeseen events that may impact a particular fund house.

It also allows for better risk management and potential for more consistent long-term returns. Therefore, while the choice between consolidation and diversification depends on individual preferences and risk tolerance, diversifying across multiple AMCs remains a prudent strategy to safeguard investments and pursue financial goals effectively. Furthermore, it is advisable not to add more than two funds from the same AMC in pursuit of higher returns, even if advisors suggest it. We can never predict future contingencies, including those involving our financial advisors. It's always safer to prioritise capital preservation rather than aggressively chasing higher returns.

Prakash Mahendra Thakkar

Partner, Wealth



Wealth Building For Retirement Through Mutual Funds

Retirement is one of the most crucial and life-changing phases. It marks a period where maintaining your lifestyle becomes paramount even though your regular income stops. Planning for retirement is essential to ensure that it is a comfortable and fulfilling phase. Further, with healthcare services improving and life expectancy rising, the duration of retirement is also increasing. This means that individuals will need to plan for a longer retirement period.

Moreover, medical costs are escalating, and inflation affects essential expenses like electricity and food. So, to ensure a comfortable and worry-free retirement, it is important to plan and review your investment to account for these factors. One of the most effective ways to prepare for retirement is through investing in mutual funds (MFs) and systematic investment plans (SIPs). In fact, along with investing in stocks and trading in them to make money, investing in mutual funds is a long-term method that provides better returns and security.

Role of Mutual Funds in Retirement Planning

Mutual funds play a crucial role in retirement planning by offering a variety of investment options tailored to different life stages. During the accumulation phase, when individuals are actively working, the goal is to build a substantial corpus. In this phase, equity funds are ideal for investment due to their high growth potential. As individuals approach retirement in the preservation phase (typically 7-10 years before your retirement), the focus shifts to protecting the accumulated wealth from market volatility while still achieving moderate growth.

Balanced or hybrid funds are suitable for this phase, providing risk-adjusted returns. In the distribution phase which starts when you stop working and start using the retirement corpus that you have accumulated in the previous phase, the primary goal is to generate a steady income stream while preserving the capital. By strategically allocating investments across debt and arbitrage funds, individuals can effectively distribute their retirement savings, ensuring financial security and a comfortable lifestyle in their retirement years.

Building a Retirement Corpus with SIPs in Mutual Funds

One of the most effective ways to create wealth and achieve financial goals is through consistent investing and SIPs play a crucial role in maintaining this consistency. A systematic investment plan allows individuals to invest a fixed amount regularly in mutual funds. This disciplined approach ensures that investors continue to contribute towards their retirement corpus without being affected by market fluctuations or timing the market. As SIPs continue over time, the returns generated on investments get reinvested, leading to exponential growth in the long run.

This compounding effect significantly amplifies the wealth creation potential of SIPs, especially when the investment horizon is long. The longer the SIP tenure, the greater is the impact of compounding, thus resulting in a substantially larger retirement corpus. This highlights the importance of starting SIPs early and maintaining them consistently for an extended period to reap the full benefits. Additionally, SIPs offer features like SIP top-up, where investors can increase their SIP amount periodically. This feature not only helps in keeping pace with inflation but also accelerates the growth of the retirement corpus by increasing the investment amount over time.

Common Mistakes to Avoid in Retirement Planning

- **Not Identifying the Required Retirement Corpus:** Not identifying a retirement corpus is one of the biggest mistakes one can make. It's vital to determine the corpus needed for retirement, considering various factors such as inflation, lifestyle inflation, increasing healthcare costs and life expectancy. Additionally, with families transitioning to nuclear setups and the possibility of no financial support from children, all these aspects must be considered when setting the corpus target.
- **Starting Late:** Delaying retirement planning reduces the benefits of compounding and may require larger contributions to meet your goals.
- **Lack of Diversification:** One common mistake in retirement planning is not diversifying the allocation based on the life stages. Investors over-relying on equity and neglecting debt during the last stage of retirement can expose portfolios to unnecessary risk.

Thus, mutual funds are essential for retirement planning, tailoring solutions for every investor. Apart from the benefits of systematic investing through SIPs, mutual funds offer features like SWP (systematic withdrawal plan), ensuring steady cash flows during retirement. With SWP, only the requested amount is redeemed while the rest continues to earn returns. Additionally, MFs are transparent, thus making them reliable for building a robust retirement corpus. However, regular portfolio reviews and adapting to financial changes are vital for successful retirement planning.

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Mirae Asset Great Consumer Fund - Direct Plan - Growth

Equity: Thematic-Consumption
Scheme Category

19.70% p.a.
5-Year Median Rolling Returns (Since Inception)

3,749
AUM (₹ Cr.) June 30, 2024

107.72
NAV (₹) July 22, 2024

0.41%
Expense Ratio (%) June 30, 2024

Nifty India Consumption TRI
Benchmark

1% if redeemed within 1 year.
Exit Load

Ankit Jain & Siddhant Chhabria
Fund Managers

Reason for recommendation

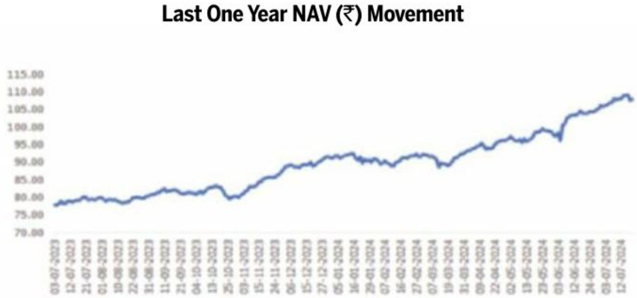
After a prolonged period of sluggish consumption over the past year and a half, we are finally seeing early signs of a pickup. With expectations of a better monsoon season and several states gearing up for elections in the coming months, we anticipate an increase in populist measures that could further stimulate consumption. In light of this, our mutual fund selection this time is the Mirae Asset Great Consumer Fund. The fund has demonstrated an impressive performance compared to its category average across various time periods, especially in the longer duration. Over the past three years, the fund has achieved a return of 24.90 per cent, surpassing the category average of 23.67 per cent. Further, over the past 10 years, the fund significantly outperformed with a return of 19.59 per cent compared to the category average of 17.66 per cent. The fund maintains a diversified portfolio, primarily concentrated in sectors that are poised to benefit from an uptick in consumption. Consumer staples (25.58 per cent) form the largest part of the portfolio, reflecting the fund's focus on essential goods that are consistently in demand. The next big sector is services (18.76 per cent). Automobile (15.66 per cent) too holds significant allocation, one of the key drivers of economic growth and consumer spending. The fund's top individual holdings further illustrate its strategic positioning within the consumption space.

TOP 10 Holdings

COMPANY NAME	% TO NET ASSETS
Bharti Airtel Limited	7.08
ITC Limited	5.36
Hindustan Unilever Limited	4.98
Trent Limited	3.77
Zomato Limited	3.45
Maruti Suzuki India Limited	3.42
Tata Motors Limited	3.09
CEAT Limited	2.92
Titan Company Limited	2.88
United Spirits Limited	2.63

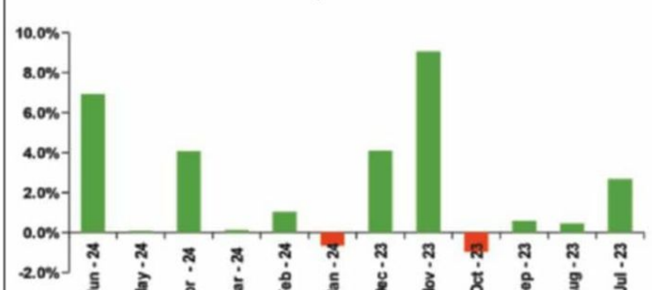
ITC Ltd. (5.36 per cent), Hindustan Unilever Ltd. (4.98 per cent), Trent Ltd. (3.77 per cent) and Zomato Ltd. (3.45 per cent) remain some of the top five holdings of the fund. Compared to other funds in the same category, this fund has lower beta of 0.76, which is significantly lower than the category average of approximately 1.11. This indicates that the fund is less sensitive to market volatility. Besides, the fund has one of the lowest expense ratios in its category. It is suitable for moderate risk-taking investors with an investment horizon of more than one year.

Last One Year NAV (₹) Movement



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

Monthly Returns



MF QueryBoard

I have Rs 10 lakh in debt funds that have yielded only 5.5 per cent returns over the last three years. Should I transfer this amount as a lump sum to a large-cap equity scheme like Bharat 22 for potentially better returns? Since it's a large-cap fund, I consider it relatively safe. Could you please advise?
- Jaydeep Sethi

Considering a switch from debt funds to a large-cap equity scheme like Bharat 22 requires careful evaluation. Here are some factors to consider:

1. Historical Performance and Risk –

- **Debt Funds:** Debt funds, particularly those yielding 5.5 per cent over the last three years, may have been impacted by interest rate fluctuations and macroeconomic conditions. Typically, debt funds are considered safer but offer lower returns compared to equities.
- **Equity Funds (e.g., Bharat 22):** Large-cap equity funds like Bharat 22 tend to have lower volatility compared to mid-cap or small-cap funds. However, they are still subject to market risks and can experience significant fluctuations in the short term. Historically, large-cap equity funds have offered higher returns compared to debt funds, but this comes with increased risk.

2. Investment Horizon

- **Short-term (1-3 years):** If you need access to your funds in the short term, equity investments might not be suitable due to potential short-term volatility. Debt funds are generally safer for short-term goals.
- **Long-term (5+ years):** If you are investing for a long-term goal (5 years or more), switching to a large-cap equity fund could be beneficial as equities generally outperform debt over long periods.

3. Current Market Conditions

- **Interest Rates:** With recent interest rate trends, if rates are expected to fall, debt funds may face lower returns. Conversely, if rates rise, debt funds could see an increase in yields.
- **Equity Market:** Large-cap stocks have shown resilience in recent years, but it's important to assess current market conditions and economic indicators. As of mid-2024, the Indian equity market shows mixed signals with economic reforms and global uncertainties impacting performance.

4. Risk Tolerance

- **Debt Funds:** If you are risk-averse and prefer stability, debt funds align with your risk profile. They offer steady returns with minimal fluctuations.
- **Equity Funds:** If you can tolerate higher risk for potentially higher returns, large-cap equity funds might suit your needs. Ensure you are comfortable with the market volatility.

5. Diversification

- **Diversification Benefits:** Diversifying across asset classes can help manage risk. Consider if your overall portfolio benefits from a higher allocation in equities, or if diversifying within debt funds or a mix of equity and debt might be more prudent.

If your investment horizon is long-term and you are comfortable with potential short-term volatility, transferring the Rs 10 lakh from debt funds to a large-cap equity scheme like Bharat 22 could potentially yield better returns. However, assess your risk tolerance and market conditions before making the switch. Consulting with a financial advisor to tailor the decision to your specific financial goals and market outlook can also be a wise step.

As an NRI, am I allowed to continue holding and managing my existing PPF account?
- Zahir Kadri

As an NRI, you are not allowed to open a new Public Provident Fund (PPF) account, but you can continue holding and managing an existing PPF account under certain conditions:

1. Existing Accounts

- **Continued Maintenance:** If you were an Indian resident when you opened the PPF account, you can continue to maintain and manage the account even after becoming an NRI. There is no requirement to close the account when you change your residency status.
- **Deposits:** As an NRI, you can continue to deposit money into your existing PPF account, but it must be from your NRE (Non-Resident External) or NRO (Non-Resident Ordinary) account. Ensure that you follow the deposit limits and guidelines set for PPF accounts.

2. Account Maturity

- **Maturity Period:** The maturity period for PPF accounts is 15 years. Upon maturity, you can either withdraw the entire balance or extend the account in blocks of 5 years. As an NRI, you can choose to extend your PPF account but will need to comply with the rules for extension and withdrawals.

3. Tax Implications

- **Tax Benefits:** PPF contributions qualify for tax deductions under Section 80C of the Income Tax Act for Indian residents. However, as an NRI, you are not eligible for this deduction. The interest earned and maturity proceeds remain tax-free in India.

4. Compliance

- **Regulatory Compliance:** Ensure that your PPF account complies with the rules set by the Reserve Bank of India (RBI) and the Ministry of Finance. It's advisable to stay updated with any changes in regulations that might affect your account.

5. Consult a Financial Advisor

- **Professional Guidance:** Given the complexity of regulations affecting NRIs, consulting a financial advisor or tax consultant can provide personalized advice and help ensure compliance with the latest rules.

In summary, while you can continue to hold and manage your existing PPF account as an NRI, you need to ensure that all transactions are conducted properly and comply with the relevant regulations.

Mastering Investment with Information Ratio

Information Ratio helps in navigating the complexities of the investment landscape by assessing an active fund manager's performance. And though it has its limitations, it remains an essential part of the finance industry. The article explains what Information Ratio is and how investors can use it as another tool

One of the widely accepted facts among investors now is that mutual funds can be a powerful tool for wealth creation, especially when it concerns retail investors. This is evident from the substantial monthly inflows into equity mutual fund schemes over the past few years. In June 2024 alone, inflows, including a few new fund offers, surpassed ₹40,000 crore. SIP contributions also remained robust, exceeding ₹21,000 crore. However, another set of data tells a different story. According to the Association of Mutual Funds in India (AMFI), 49.74 lakh new SIP accounts were registered in May 2024 as compared to 63.65 lakh in April. Moreover, SIP discontinuations rose by 32.21 per cent, reaching 43.96 lakhs in May from 33.25 lakhs in the previous month.

Consequently, the SIP stoppage ratio, which measures the number of SIPs discontinued or expired as a percentage of new SIPs registered, hit 88.38 per cent in May, surpassing the previous high of 80.69 per cent in May 2020. One of the reasons that investors are currently cautious in their approach is that they are waiting for the air to be clear of the uncertainty around higher market valuation and the election outcome, including the Union Budget. However, long-term investors should avoid trying to time the market and instead focus on honing their fund selection skills. An important metric in this regard is the Information Ratio, which measures investment performance.

Defining Information Ratio

Information Ratio is a popular and widely used performance measure. It was originally developed as Appraisal Ratio. Information Ratio indicates how much additional excess return over the benchmark can be obtained per additional unit of risk. Therefore, it is able to quantify how much value is added or destroyed by an active manager. For example, an active manager usually has some expectations about future stock price developments. He will use this information to overweight or underweight certain stocks relative to the market portfolio, and thereby incur additional risks relative to the market.

Through the use of Information Ratio, the investor is able to see how much additional return has been generated by an active fund manager in relation to the additional risks he had to incur in order to implement his superior information by overweighting or underweighting certain stocks. This is also the reason why this ratio is called Information Ratio – it measures the quality of the manager's 'superior' information. If we take different funds in the large-cap category, these have different weightage to different stocks, indicating different views of fund managers on different stocks.

For example, ICICI Prudential Blue Chip Fund had the maximum weightage to ICICI Bank of 8.19 per cent at the end of June 2024. ITI Large-Cap Fund in the same period has given 6.06 per cent weightage to ICICI Bank. Compare these with JM Large-Cap Fund, which has only allotted 3.29 per cent of the entire corpus towards ICICI Bank. They are all large-cap funds and have a similar benchmark i.e. Nifty 100–TRI and BSE 100–TRI where the weightage of ICICI Bank is 6.4 per cent. So, we see that different fund managers, depending upon their information and future outlook about the stock, allot different weightage to different stocks. This information and a fund manager's views help him to create alpha for the investors.

Comparison of Difference in weightage (%) of Larger Cap Funds Holdings Vs Benchmark

	Companies				
	ICICI Bank Ltd.	Reliance Indu. Ltd.	Larsen & Toubro Ltd.	HDFC Bank Ltd.	Axis Bank Ltd.
ICICI Pru Bluechip	8.19	7.64	6.15	5.42	4.77
ITI Large Cap Fund	6.06	6.25	3.34	7.58	3.08
JM Large Cap Fund	3.29	3.69	4.53	7.01	3.58
Benchmark	6.4	7.82	3.12	8.96	2.72

Calculating Information Ratio

To calculate the Information Ratio, follow these steps:

1. **Collect Returns** — Gather the daily, weekly or monthly returns of the fund and the benchmark for a specified period.
2. **Calculate Excess Returns** — Find the difference between the fund returns and the benchmark returns. This difference is known as the excess return.
3. **Average Excess Return** — Compute the average of these excess returns over the given period.
4. **Standard Deviation of Excess Returns (Tracking Error)** — Calculate the standard deviation of the excess returns, which measures how much these returns deviate from their average. This is also known as tracking error.
5. **Compute the Information Ratio** — Divide the average excess return by the standard deviation of the excess returns.

In formula terms, Information Ratio is the average excess return divided by the volatility (standard deviation) of the excess return. Higher average excess returns and lower volatility are desirable, so a higher Information Ratio indicates better performance. The following table shows the Information Ratio of some of the large-cap funds. To calculate Information Ratio, we have taken the weekly returns of funds since their inception following which we have annualised the Information Ratio.

Funds	Annualised IR
BARODA BNP PARIBAS LARGE CAP Fund - Direct Plan - Growth Option	1.67
Edelweiss Large Cap Fund - Direct Plan-Growth option	0.64
Mirae Asset Large Cap Fund - Direct Plan - Growth	1.03
Motilal Oswal Large Cap Direct Plan Growth	3.09*
Quant Large Cap Fund - Growth Option - Direct Plan	0.72
Sundaram Large Cap Fund (Formerly known as Sundaram Blue Chip Fund) Direct Plan - Growth	0.21
Tata Large Cap Fund -Direct Plan Growth Option	0.48
UTI Large Cap Fund - Direct Plan - Growth Option	0.32
WhiteOak Capital Large Cap Fund Direct Plan Growth	0.96

**The reason why this fund is having exceptionally higher IR is because of its recent inception (Feb 2024) and since than active funds have remained bullish and outperformed the market.*

Negative Excess Returns

However, Information Ratio has a flaw. The main problem associated with Information Ratio is that it fails to take into account portfolios that do better per unit of risk if their results are below the benchmark. The following example will illustrate this. Fund A has a 10-year annualised excess return of –2.74 per cent and tracking error (or standard deviation of excess returns) of 4.26 per cent. With these two values, the Information Ratio for Fund A works out to –0.64. Now take another fund. Fund B has a 10-year annualised excess return of –6.87 per cent and tracking error of 11.58 per cent, resulting in an Information Ratio of –0.59.

Since Fund B has the higher Information Ratio, one would think that this is the better of the two funds. However, Fund A has higher excess return and lower standard deviation, which by real world standards means that Fund A is the more promising stock. As we can see, there is a serious flaw with the Information Ratio when the excess returns are negative. The so-called Geometric Information Ratio is the way out of this discrepancy. Geometric Information Ratio uses the geometric mean of returns instead of arithmetic mean. Or, you can also use beta in the calculation of Information Ratio when the excess returns are negative.

Beta is a measure of how sensitive a fund is to the benchmark. For instance, if a fund has beta of 0.9, then for every 1 per cent return that the benchmark has, the fund will have 0.9 per cent return. So, if the market moves up 20 per cent, this fund will move up 18 per cent. Therefore, it makes sense to use beta as a variable in determining the Information Ratio since both beta and the Information Ratio are comparing a fund to a benchmark. By using beta instead of tracking error in the exponent of the denominator, there is a better measure of how the stock and the benchmark are related.

Since the goal of the information is to show how well or poorly a manager is performing compared to a benchmark, it is a reasonable assumption to use a variable that measures that relationship. Beta is the perfect choice. The following table highlights the Information Ratio and Geometric Information Ratio of some of the large-cap funds along with their returns and the period. The table shows that a higher Information Ratio does not necessarily mean higher returns. Often, annualised Information Ratio is used to rank the managers. This comparison is effective when managers have the same length of performance history.

measure. Like any statistic based on historical data, a high Information Ratio in the past does not guarantee a high one in the future, and vice versa.

Additionally, Information Ratio can be manipulated. While the choice of the annualisation method typically has a minor impact, the choice of benchmark can make a significant difference. Always interpret a published Information Ratio cautiously and be sceptical of any that use an inappropriate benchmark. Ultimately, regardless of the evaluation tool you use, the principle remains the same: a thorough assessment involves multiple tools and tests. As a diligent investor, you should adopt a comprehensive approach to evaluating investments. However, even though Information Ratio has its limitations, it remains an essential part of the finance industry.

Following is the table that gives you IR and GIR of some of the large cap funds along with their returns and the period

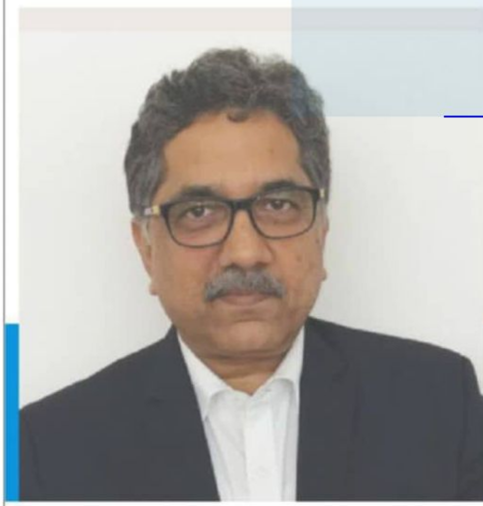
Fund	Period (Years)	CAGR (%)	GIR	IR
Motilal Oswal Large Cap Direct Plan Growth	0.42	69.00	3.29	3.09
Quant Large Cap Fund - Growth Option - Direct Plan	1.93	28.20	-2.57	0.72
WhiteOak Capital Large Cap Fund Direct Plan Growth	1.62	26.80	0.56	0.96
BARODA BNP PARIBAS LARGE CAP Fund - Direct Plan - Growth Option	2.34	26.10	4.26	1.67
Sundaram Large Cap Fund (Formerly Known as Sundaram Blue Chip Fund)Direct Plan - Growth	3.76	24.10	-1.05	0.21
Nippon India Large Cap Fund - Direct Plan Growth Plan - Growth Option	11.53	17.80	-0.91	0.75
Mirae Asset Large Cap Fund - Direct Plan - Growth	11.53	17.50	-0.72	1.03
Edelweiss Large Cap Fund - Direct Plan-Growth option	11.52	16.50	0.07	0.64
Tata Large Cap Fund -Direct Plan Growth Option	11.53	15.50	-1.19	0.48
JM Large Cap Fund (Direct) - Growth Option	11.53	15.20	-0.45	0.11
PGIM India Large Cap Fund - Direct Plan - Growth	8.36	15.10	-2.02	-0.25
UTI Large Cap Fund - Direct Plan - Growth Option	11.53	15.10	-1.26	0.32
BANDHAN Large Cap Fund-Direct Plan-Growth	11.53	14.90	-1.16	0.27
HSBC Large Cap Fund - Direct Growth	11.53	14.60	-1.44	0.25

However, adjustments may be needed when comparing managers with different lengths of performance history. For example, comparing a manager's annualised Information Ratio over 10 years to another manager's Information Ratio over 3 years may not be accurate for two reasons: a) the excess returns could have been earned under different market conditions, and b) a shorter track record offers less statistical confidence in the results. It's important to examine the consistency of Information Ratio across different periods to better understand a fund manager's performance.

Using Information Ratio Smartly

In conclusion, Information Ratio is a valuable tool for assessing investment performance. By considering the expected return, benchmark return and tracking error, it offers meaningful insights into the risk-adjusted returns of an investment strategy. Knowing how to calculate and interpret Information Ratio helps investors make informed decisions and distinguish between skilled portfolio managers and those who are simply lucky. However, investors should not rely solely on any single

You can leverage the Information Ratio as a helpful metric when evaluating mutual funds. Remember to combine it with other factors like expense ratio, investment objectives, and past performance. Ensure the chosen benchmark accurately reflects the mutual fund's investment style and risk profile.



Plan To Be Financially Independent

Hemant Rustagi
Chief Executive Officer, Wiseinvest Pvt Ltd.

Each of us aspires to be financially independent as it ensures having enough resources to be self-sufficient and control our finances. In reality, many people struggle to achieve financial independence due to a lack of financial discipline, not prioritising their goals, and ignoring the need to plan for financial emergencies. Simply put, if you are looking to be financially independent, you must prioritise saving and investing.

Unfortunately, many of us don't consider it necessary to save, thinking that there will always be enough money available to take care of our future needs. In other words, our ability to save depends upon how financially responsible we are. To put it in perspective, being financially responsible doesn't mean living below your means. It just requires you to avoid buying things that you don't really need. Remember, if you spend 100 per cent of your income, financial independence will remain a distant dream.

One of the common mistakes made by investors is not understanding the difference between saving and investing. Saving is what you keep aside from your income and investing is when you put your money to work in a manner that your real rate of return i.e. gross returns minus capital gains, taxes and inflation is positive. Therefore, the more you invest, the faster you become financially independent.

As is evident, the process of earning, saving and investing plays an important role in making you financially independent. While it is important to understand the need to have a process in place, it is equally important to know how to go about it to achieve investment success consistently over the longer term. Here is what you need to do.

Avoid Random Investment Decisions

An important step in achieving financial independence is to have an investment plan in place. Don't make the mistake of initiating your investment process without establishing your investment objectives, asset allocation, and having an investment strategy in place. Your focus should be on developing a long-term investment policy that will guide you over your defined time horizon. You can either do it yourself or take the help of a professional.

Remember, there will always be bull and bear markets during your defined time horizon. Besides, it is nearly impossible to predict the economic scenario just around the corner as well as its impact on the stock market. It can, therefore, be challenging to develop a strategy that not only withstands the turmoil but also helps you achieve varied goals over a defined time horizon.

An investment strategy that can keep your investment process on track amidst the vagaries of the market and bring order to an uncertain investment environment is asset allocation. The principles behind asset allocation are simple and they can help you control the risk, match your portfolio with specific financial goals, and increase the predictability of returns. As is evident, your risk tolerance, time horizon and investment objectives should be the dominant factors while deciding what percentage of your investments should be put into each of the asset classes i.e. debt, equity, gold and silver.

Make a Constant Effort to Learn about Investing

While working with a professional can help you navigate the maze of investing in market-linked products, don't make the mistake of taking a back seat in the decision-making process. Active participation in your investment process can help you understand the nuances of investing and have a better understanding of the ever-expanding investment universe. Last but not least, it will allow you to play a big role in defining the parameters of how your investments should be managed.

Anand Radhakrishnan

Managing Director, Sundaram Mutual Fund

"Technology is the new game-changer"

With a new breed of young investors entering the financial markets, it is the use of technology that is increasingly playing a major role in how investments are done and tracked. Anand Radhakrishnan, *Managing Director*, Sundaram Mutual Fund, shares his opinion about how this factor is turning into a significant tool and how it will shape the strategies of his company

In your new role, what are the key priorities and strategic initiatives that you would like to implement?

Some of the key priorities include:

- To deliver more consistent investment outcomes for our unit holders across various fund categories in equity, hybrid and fixed-income products.
- To improve the quality of customer experience with us through our communications, knowledge partnership, technology interfaces, etc.
- To continue to ensure we are in full compliance with the existing regulations.
- To build our mutual fund brand with a strong emphasis on the core values that Sundaram Finance Group stands for.

With the current market landscape presenting both opportunities and challenges, how have you positioned your funds to capitalise on these trends?

While some of our funds have changed portfolios in line with changing opportunities, some are still a work in progress. As the economy becomes more balanced between various vectors of growth, namely, consumption, investment, government expenditure and net exports, we need to better understand them from a medium-term perspective and possibly better align ourselves. That said, the investment team is aware of these opportunities and is making its best efforts to ensure that our fund positioning remains in sync with the current landscape of opportunities.

Can you provide insights into new fund offerings that Sundaram Mutual Fund is anticipating in the near future?

We recently did a 'business cycle fund' to leverage three to four emerging key themes in the Indian economy. We think combining a few themes with business cycles offers an interesting choice to investors. We aim to launch some products in categories like value, smart beta and international markets (as and when allowed) in the future. There are some blank spaces in our fixed-income product offerings too and we hope to fill them over time.

Technology and digital transformation are reshaping the financial industry. What are your plans for leveraging technology to enhance investor experience and operational efficiency?

Technology is playing a deep and vital role in the way the mutual fund industry is functioning and evolving. We are very keen to leverage this in our internal functions – investments, compliance and human resource management as well as our external interfaces like sales, marketing, branding, customer service, etc. We are reinvesting our profits in digitally transforming our organisation, making it more contemporary and real-time. This transformation will take some time, but once done, we think that our stakeholders (distributors and investors) will find the Sundaram Mutual Fund experience second to none. We are also building an internal analytics layer over key areas like investment and sales, and are gradually making it available to our employees with the view to help them take faster and more efficient decisions.

We have seen cases of front-running in mutual funds. As an industry expert, what advice would you give to prevent such incidents and restore investor confidence in the industry?

Compliance failures pose a clear and present danger to every organisation and the mutual fund industry too is vulnerable to this risk. The MF industry has come a long way in terms of delivering consistent performance and transparency to investors and is possibly the best among many alternative financial products. That said, having rigorous internal compliance processes, risk monitoring and management, surveillance mechanisms, etc. are becoming more and more important to prevent the occurrence of any type of fraud.

Technology has to be leveraged effectively to identify and act swiftly in case of breaches. In short, technology is the new game-changer in the finance industry. Most importantly, employees need to be continuously educated on the importance of compliance and the risk of losing investor trust in case of advertent or inadvertent failures. The culture of compliance needs to permeate the length and breadth of an organisation, and everyone needs to be aligned with the unit holders' interests. While investing is all about making maximum profits, for a fund house, it is about securing and retaining the trust of its customers.

Are there any specific sectors or themes that you are particularly bullish on for the coming years?

We remain structurally positive on dominant themes in the market such as manufacturing, digitisation, premiumisation, urbanisation and sustainability. We think these are medium to long-term trends that will continue to remain very relevant for investors. There are pockets of exuberance and overvaluation in these themes which may lead to short-term corrections, but fundamentally they have strong tailwinds and will keep providing interesting investment opportunities. An increasing number of people with disposable incomes are now in the process of evolving their lifestyle and this will lead to certain sectors doing very well.

Some sectors such as cement and construction too look attractive due to strong housing demand and the government's thrust on infrastructure development across the country as well as the programme of creating smart cities. Pricing in the cement sector had deflated in real terms suppressing the sector's profitability. However, at some point in the future, this may change leading to improvements in return on capital employed (ROCE) and profit growth. With more houses getting built, the demand for construction materials too will remain robust and one can take calculated risks there.

Could you share your perspective on the importance of investor education and the initiatives you are taking to enhance financial literacy?

The industry has done a stellar job of educating investors and the Association of Mutual Funds in India (AMFI) has enormously helped in the investor education journey over the last decade. Today, MFs have become a household name despite low penetration, and many people are aware of the different kinds of products and their risk profiles. But some people still take sub-optimal investment decisions by using the wrong decision parameters and we need to continue our efforts to help them make better decisions. We are seeing an influx of young investors every year who have access to the internet and other social media platforms.

We need to leverage technology more to help deliver educative content in shorter forms to grab the attention span of the next generation of investors. For example, most of the young investors who would like to park their surplus funds to generate wealth over a short-term or long-term period use their mobile phones to carry out the transactions. To this extent, Sundaram Mutual Fund has started taking initiatives to modernise our education material, the medium, frequency and duration to get a better mind share and efficacy of delivery.

Lastly, what will be your advice to investors who want to invest in lump sum in the current bull market scenario?

Investment is a marathon but is also embedded with a series of short sprints. Currently, we are going through one such sprint phase and investors need to be acutely aware of this situation. I would personally recommend that a lump sum amount should be directed to hybrid and asset allocation funds, especially in the dynamic category of balanced advantage funds, which give portfolio managers the flexibility to change allocations in response to market conditions. This may give them a good risk-adjusted return over time.

To Visit: www.iciciprumf.com | Download IPRUTOUCH App | Contact your Mutual Fund Distributor

*Inception date is 18 Jan 2021

ICICI Prudential Business Cycle Fund (An open ended equity scheme following business cycles based investing theme) is suitable for investors who are seeking*:

- Long term wealth creation
- An equity scheme that invests in Indian markets with focus on riding business cycles through dynamic allocation between various sectors and stocks at different stages of business cycles.

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Investors understand that their principal will be at Very High risk

The Risk-o-meter(s) specified above will be evaluated and updated on a monthly basis.
Please refer www.icicipruamc.com/news-and-updates/all-news for more details on scheme riskometers.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.