श्री LAKSHMISHREE

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Monthly Outlook

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From Directors Desk to Readers

Impact of ETF for Indian Investors - A Knock at Investment Benefits

The potential to meet the asset allocation needs, Transparent Pricing, Low Cost, and Liquidity are the highlighted fundamentals that are captivating a large number of investors in India. It has further led a spurt in interest for ETFs. Since the expectations for having returns from other Equity Mutual Funds are not up to the favoured dice number, hence the investors are highly looking forward to invest in Exchange Traded Funds (ETFs). Upcoming with the launch of multiple ETF funds, the Asset Management Companies (AMCs) are offering passive investment for the investors.

Blank with the word ETF?? Touching the roots of the ETF meaning, Exchange Traded Fund or ETF is the basket of securities with the inclusive of multiple Indexes. For instance, the Nifty 50 Index or BSE Sensex 30 Index or Commodity Index or Infrastructure Index and so on. Most of the people misunderstand ETF being the same as Mutual Fund. However, with the thin line ETF falls on the similar ground of Mutual Fund but it is not as same as Mutual Fund. Talking in terms of investment, usually, investors tend to invest in the pool of the Fund Managers account to get their funds further invested in the market through all the research and ground work by their respective Fund Managers.

However, articulating the simple explanation for ETF. The investors directly trade in ETFs during market hours wherein the ETF Equities are inclusive of the Index from any particular area of investment. Defining a difference, the Mutual Funds are traded only once in a day that too post market closure. Whereas, ETFs are traded as normal stocks which are traded throughout the market timing. Investing in an ETF will urge for having a Demat & Trading Account from the Investors end, followed by the handful of the fund to invest in. Therefore, this minimal specification pulls a lot of investors to support ETF Investments which has the capability to deliver with the satisfied returns over a period of time.

A Glance at the Benefits of ETFs

Since a list of Managed Funds has crashed to overcome their benchmark returns, it is perceived that the investors will prefer an ETF Investment.

Why??

I. As said above, ETFs are based on Indexes, one can get crystal transparency on their holdings by daily disclosure of portfolio.

II. Additionally, traded like the other equities, ETFs being traded on the Stock Exchange get to witness high number of transaction volumes.

III. Hence higher trading volume will back up an investor for easy exit plus, maintain liquidity.

IV. Tracked by the Fund Managers, the ETF Index Stocks are invested in the composition of Index and hence operating cost becomes lower for the investor which further leads to lower expense ratio.

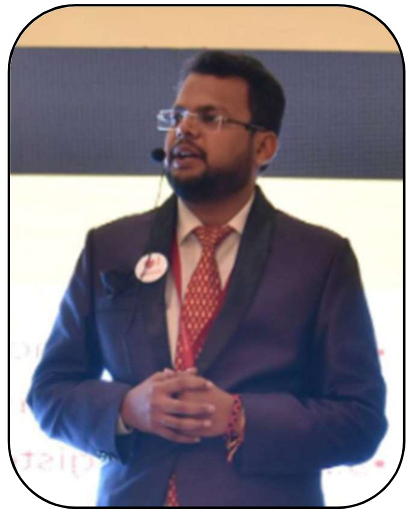
V. Offering a good tool of asset allocation to the investors, the trading value of an ETF is based on the net asset value of the underlying stocks.

VI. As similar to other open-ended funds, one can trade an ETF throughout the market hours and can benefit through intraday movements.

VII. Diversification is another major benefit of dealing in ETFs. There are Gold, Debt, and Equity ETFs wherein, a huge traffic is calculated towards Debt ETFs by the Retail Investors.

Salil Kumar Shah

Amazon Set For Face-Off With Ambani For India Retail Dominance



Considering Future Retails the key to wider ambitions, Amazon.com and Mukesh Ambani's Reliance Industries Pvt Ltd. has turned out to be the face-off for the e-commerce space. The clash between both the powers has been over the assets of supermarket chains which would possibly come up with the expansion of their respective businesses.

Being tagged as the world's wealthiest men, Jeff Bezos and Ambani want to overcome the warehouses and stores of Future Retail. Whether it be small towns or big cities or busy states, the stores of Future Retail have pushed the sales of grocery to fashion to electronics on a very high note in India. The conglomerate's unit said in a statement late Sunday, that Reliance intends to purchase Future Retail's assets "without any delay." It was declared after a Singapore arbitration court restrained Future from going ahead with the transaction.

Furthermore, with the decision of Reliance to buy Future's Retail, wholesale, logistics, and warehousing units for $3.4 billion in August, there was a fresh statement issued by Future Retail on 26th October, 2020 i.e Monday with the sayings that it wasn't party to the Singapore proceedings and the matter "will have to be tested" under Indian arbitration law.

This deal with the Future Retail will give Ambani a huge exposure in the billion people economy open to foriegn firms. Besides, Bezos has bet $6 billion plus on india and additionally, Future Retail will let Amazon to reach every small town of India further estimating to swell $1 trillion consumers in the market.

Anshul Jain

Research Analyst

Look What Our Research Analyst Has To Say You...

September to Mid-October was a liquidity driven momentum rally which got digested in the month of October and the index now is building a base with huge strength driven by liquidity for the next further up move. Broad range on the Nifty is 10800-12000 but into that broad range there is a small range building into the month of October and a range expansion should follow through in the month of November which will be over shadowed by US Presidential Elections. Broadly November series is initiating with a range of 12000 on the Upside and 11550-11650 on the downside. Any and every Dip into the said mentioned supports will be an opportunity to build longs, and delivery based investors who want to trade for long can buy NIFTYBEES(Nifty ETF). Reversal of current upmove is placed below 11400-11350 zone. On the rallies 12000 is providing major supply and long struck at the start of the year are liquidating in a hurry to stay liquid and buy dips. Hence as soon as (probably 2nd week November) the overhead supply is absorbed, the index will head its new Journey for fresh All Time Highs. We will remain a buy on dips traders as well as investors for the month of November till the index doesn't close below 11350 zone.

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STOCKS TO WATCH

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Tata Steel Ltd

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Iron & Steel	Rs 423.35	Buy at LTP and add on dips to Rs. 372-376 band	Rs. 465	Rs. 510	2 quarters

VARAHI Scrip Code	TATASTEEL
BSE Code	500470
NSE Code	TATASTEEL
Bloomberg	TATASTL IN
CMP October 23, 2020	423.35
Equity Capital (Rscr)	1145
Face Value (Rs)	10
Equity Share O/S (cr)	114.5
Market Cap (Rscrs)	48512
Book Value (Rs)	643
Avg. 52 Wk Volumes	16435706
52 Week High	505.95
52 Week Low	250.90
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52 Week High	505.95
52 Week Low	250.90

Share holding Pattern % (Sept., 2020)	
Promoters	33.66
Institutions	44.35
Non Institutions	21.99
Total	100.0

Our Take:

Tata Steel Group is among the top global steel companies with an annual crude steel capacity of 33 million tonnes per annum (MnTPA). The company's Indian operations enjoy highest EBITDA/t in the industry due to captive iron ore mines and better product mix. India has become world's second largest steel producing country after China with crude steel production of 111.2 million tons in 2019. The World Steel Association (WSA) forecasts steel demand to decline 6.4% YoY to 1654 MnT in CY 2020, due to COVID-19 impact, however it has asserted that global steel demand could rebound to 1717 MnT in CY 2021. Going forward, we believe steel demand could improve on the back of revival in the economy post COVID-19, Government's continuous thrust on infrastructure development, revival in the capex cycle One of the designated core industries, steel is the key to the government's focus on driving growth in the infrastructure segment and government has taken many initiatives such as imposing anti-dumping duty, Steel Import Monitoring System (SIMS), imposing export duty on iron ore etc. We believe that going forward

the recent price hikes in steel prices are sustainable and Tata Steel India operations is likely to do well as capacity utilization level improves and ramp up of production at Bhushan Steel happens. We expect European operations will continue to face headwinds but it can surprise on the positive side with any news on divestment/ partnership or support from the UK Government.

Valuations & Recommendation:

Tata Steel's India operations are one of the most profitable in the industry on the back of value-added mix, pricing power and lower raw material costs. The company sources 100% of its iron ore requirements from captive mines which has led to industry leading EBITDA/t for the company. The company with significant operating and financing leverage will benefit post COVID-19 crisis and recovery both in domestic and global demand. Further, given the fact that China is slowly and steadily getting growth back in its economy, the downside in steel prices are limited and the spreads are likely to improve going forward. We believe that the recent rise in steel prices and consequent price hikes by domestic steel makers are sustainable on the back of improvement in domestic demand and strong demand from China. Indian steel makers have been able to latch on opportunities in the exports markets with record exports in the month of July. Going forward, better realization and improved demand is likely to result in higher margins for top steel makers.

The stock is trading at valuation of ~6.8x FY22E EV/EBITDA. We feel investors could buy the stock at LTP (6.8xFY22E EV/EBITDA) and add on dips of Rs. 372-376 band (6.6x FY22E EV/EBITDA) for base case target of Rs. 465 (7.1x FY22E EV/EBITDA) and bull case target of Rs.510 (7.3x FY22E EV/EBITDA).

Financials (Consolidated)

Income Statement

Particulars	FY19	FY20	FY21E	FY22E
Income from operations	157669	139817	138418	153645
Material Cost	60780	57475	59105	60536
Employee Cost	18759	18534	19794	20742
Other expenses	48746	46345	46509	50549
Total expenses	128286	122354	125407	131827
EBITDA	29383	17463	13011	21818
Depreciation	7342	8441	8702	8841
EBIT	23462	10866	6386	15128
Other Income	1421	1843	2076	2151
Interest	7660	7533	7680	7590
Profit before tax	15681	-420	-1294	7538
Tax Expenses	6718	-2568	1035	3015
Profit After Tax	8963	2149	-2329	4523
Adj. PAT	9098	1172	-2179	4673
EPS	79.5	10.2	-19.0	40.8

Shipping Corporation of India Ltd

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Logistics	Rs. 52.65	Buy on dips to Rs.50 and add more on dips to Rs.46	Rs.59	Rs.67	2 quarters

VARAHI Scrip Code	SCI
BSE Code	523598
NSE Code	SCI
Bloomberg	SCI:IN
CMP October 23, 2020	52.65
Equity Capital (Rscr)	466
Face Value (Rs)	10
Equity Share O/S (cr)	46.58
Market Cap (Rscrs)	2452
Book Value (Rs)	161
Avg. 52 Wk Volumes	7146959
52 Week High	69.80

Share holding Pattern % (Sept., 2020)	
Promoters	63.75
Institutions	16.38
Non Institutions	19.87
Total	100.0

Our Take:

Shipping Corporation of India is a Navratna company with the Government of India (GoI) holding 63.75% of the equity. SCI has established relationships with major private sector and PSUs companies and has a strong competitive position in the domestic market with the largest fleet size in the Indian shipping industry. Its client list includes the likes of Shell, RIL, BP, Petronas, IOCL, ONGC, SAIL, BHEL, HPCL. BPCL etc We expect that Covid-19 led lockdown and slowdown in the economy will lead to degrowth in revenue in the near term. The industry has a higher dependence on the manufacturing sector and government support which is expected to post slow growth due to expected slowdown in the economy. Due to a shortage in storage capacity of Oil in Q1FY21, tanker realization has improved drastically but which is not sustainable as OMCs has started with the liquidation of inventories. Government divestment will be a key event to focus in the near term

Valuations & Recommendation:

We expect that the company will get benefits from the long experience of business, leadership position, and diversified revenue stream. Covid19 led lockdown that has adversely impacted economy which in turn affected the company, lower utilization, expected shortage of labour, and non-recurrence of Q4FY20 and Q1FY21 performance of tanker division which could lead to 4% CAGR in top-line and 8% EPS CAGR over FY20-22E. Shipping stocks are valued based on their book values/NAV. In the case of Shipping Corporation of India, we do not have access to its NAV and hence have to depend on its EPS and BV. We feel the base case fair value of the stock is Rs.59 (6x FY22E EPS, 0.28xFY22E BV), Bull case fair value of the stock is Rs.67 (8.0x FY22E EPS, 0.38xFY22E BV) over the next two quarters. Investors can buy the stock at Rs.50 (6xFY22E EPS and 0.28xFY22E BV) and add more on dips to Rs.46 (5.5xFY22E EPS, 0.26xFY22E BV).

Financials (Consolidated)

Income Statement

Particulars	FY18	FY19	FY20	FY21E	FY22E
Net Revenue	3469	3873	4425	4470	4756
Growth (%)	0.6	11.6	14.3	1.0	6.4
Operating Expenses	2798	3162	3285	3312	3632
EBITDA	672	710	1140	1158	1124
Growth (%)	-13.8	5.8	60.5	1.5	-2.9
EBITDA Margin (%)	19.4	18.3	25.8	25.9	23.6
Other Income	148.0	232.2	243.0	230.0	215.0
Depreciation	610.3	658.5	671.3	675.1	680.4
EBIT	209	284	712	712	658
Interest	179.8	359.1	364.1	286.0	245.7
Shares of Profit in Joint Ventures (net of Tax)	52.8	58.5	34.1	30.7	39.9
PBT	82	-16	382	457	452
Tax	-224.3	47.1	45.2	59.4	63.3
RPAT	307	-63	336	398	389
Minority Int.	0	0	0	0	0
APAT	306.6	-63.5	336.5	397.7	389.1
Growth (%)	68.1	-120.7	630.1	18.2	-2.2
EPS	6.6	-1.4	7.2	8.5	8.4

THIS MIGHT IMPACT INVESTMENTS

OPEC Members agreed to curb crude output by 7.7 mbpd

Also recognised as the Organization of Petroleum Exporting Countries, OPEC has lowered its crude oil production and has cut the level to 7.7 million barrels per day from 9.7 mbpd. In order to mitigate the adverse impact of COVID 19 on global oil demand, the OPEC+ group has been curbing their crude oil production. Now since we are unlocking the lockdown, the oil consumption is rising around the world and so the global oil market is approaching a rebalance by shorting the current oil production by 2 mbpd. However, with the rise in transportation these days, it has been expected that diesel, fuel, and gasoline consumption would be on a high note in coming months. In contrast with the rising coronavirus cases in Libya, it is noticed that the production of the oil is still running with the force. Hence, concluding the situation as similar to the square off, there was no rise or fall seen in the oil productions.

Vaccine is coming soon, International Pharma Companies Pfizer. Johnson. Madorna are in trial basis

In the rush to come up with the vaccine, the logistics, hospitals, and Pharma Sectors are expected to boom in the future dates. Besides India being the largest generic drugs provider worldwide, India is playing a crucial role in the Pharmaceutical sector globally. Talking about the Pharma Companies in India, they are the upcoming sight area for the investors in India for coming months. Portraying through the market terms, it is expected that the Pharma industry in India is about to grow US$ 100 billion. Whereas, the medical device sector is anticipated to rise up to US$ 25 billion by 2025.

Will the Trump Presidential Election & after election stimulus package boost liquidity??

With the observation for over the past 3 decades it is seen that the majority of the time market turned up with the cheerful outcome regardless of whichever party or president won the power. However this time, Trump has promised to offer a bigger stimulus package than Biden. The latest package by Trump is worth $ 1.8 trillion targeting the relief aid for struggling airlines and small businesses. Plus $ 1200 stimulus cheques are issued for individual offerings. Whereas, looking the other way round, Biden's campaign calls for $1,200 stimulus checks wherein an additional $500 per child is promised which is received by the millions of Americans under the CARES Act. Extending unemployment benefits for $600 a week, he is also offering a weaver of a minimum $10,000 in federal student loans for each borrower. Furthermore, increasing Social Security checks by $200 a month including 64 million retired workers, Biden has published a subsequent stimulus package that could cost another $3 trillion. With the flow of funds in the market, this will further end up increasing market liquidity which might impact the market scenario.

FOMC Statement & Rate of Interest & Unemployment Data

Causing tremendous human and economic hardships, the COVID-19 pandemic has had a huge impact on the United States and all across the globe. Besides, economy and unemployment are the major factors considered in the recent months but had settled below the level during the initial year. With the rise in improvement of the financial condition of the people, the weaker demand and lower oil prices are holding consumer's price inflation. Targeting the maximum inflation and unemployment rate of 2 percent for the long run, the committee has come up with the decision of maintaining the target range of federal fund rate for 0 to 1/4 percent.

ACC, Ultratech posts good results, Hike in price

Now that the lockdown is leaving people's life, it is seen that construction is also a sector wherein the work has started in rocket force. However, it is expected to focus on the cement sector at this point of the time. Since the share price of the infrastructure and cement area is predicted to reach mountain peaks in the coming days. Additionally, the hike in share price of ACC & Ultratech is seen.

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STOCK MARKET POINTS TO KNOW!!

IT IS GAINING ITS SPEED IN STOCKS..

India is drawing up rules to allow companies to float overseas without having to first list shares in India as a way to help startups reach higher valuations and access capital more easily. With companies such as Reliance, India is drawing up rules to allow companies to float overseas without having to first list shares in India as a way to help startups reach higher valuations and access capital more easily.

India has the world's third-largest startup ecosystem, which is expected to grow by 12-15% annually. The government in India had about 50,000 startups, of which around 9,000 were technology-focused, and many have attracted the likes of global investors SoftBank and Sequoia Capital. Technology is the fourth-largest sector on the exchange, representing around 11% of the total market capitalisation of London-listed companies.

India's capital markets regulator SEBI had marked out 10 possible foreign markets for overseas listings, including the United States and Britain, but it took until this year for regulation to move forward. However concerns have risen that Indian companies listing overseas will be subsequently forced to float shares in India, Reuters reported last month 2020. Such a plan, investors say, risks splitting trading volumes between two venues, and could hurt long-term valuations.

Leaning towards a (mandatory) dual listing with a liberal timeline, thinking market liquidity will be lost if we do not have companies listing in India after they get listed overseas. Adding that such listings could be allowed in seven countries, including the United States, United Kingdom, Canada and Japan. From an exchange perspective, people are actually constructive about dual listings. It's a huge part of our business. Around a quarter of the 2,000 companies on the exchange are dual-listed or traded on other exchanges.

INDIAN IT is going back to the days of the double digits growth…..

What are you making of the strength and conviction that IT majors are delivering in quarterly numbers? Could a buy-on-expectations, sell-on-news kind of story play out now?

Sometimes next-day movement does not really reflect the true earnings potential or what exactly has taken place in the quarter or in the management commentary. Because there are always some pre-earnings purchases, which will need to be unwound. From whatever results we have seen from the IT companies.

we can surmise that they are following the script which the Street expected them to follow. By and large, earnings are in line and management commentaries are solid. This Covid-19 pandemic has been a shot in the arm for digitisation, cloud computing and some of the other very strong. IT trends, and a very strong IT trend change takes place, disruption takes place, global companies have to modify or alter their systems to change processes and that is where IT companies are coming into play.

After some research, it has been concluded that finally IT companies are again coming back into the reckoning as very strong earnings compounders. After seeing the history of IT for the last two decades, they have been fabulous compounders of earnings, and they have created a great deal of wealth. In the last three-four years, their growth had slowed down significantly to a low single digit because of intense competition and other struggles.

But now due to this pandemic and certain very strong trends in the technology space, we can safely say they are going back to those 10-12%, maybe 15%, type of compounding growth over the next three to five years or so. Which is why a lot of analysts are ascribing a higher price to the earnings multiple and these stocks are attracting a whole host of long-term investors who have anyway been very comfortable investing in software companies because of good corporate governance. High return on equity and good cash is being returned to the shareholders. Growth was a bit of a problem, and now that is coming back, which is why IT companies will remain among the most sought after investment destinations for the time being. These quarterly numbers just support that particular theory or investment theme.

IT Stocks are ‘Bought on Aims’. Here’s why?

Companies like Happiest Minds which are digital companies and have never been an IT services company have the capability and a low base and might end up doing better in terms of percentage returns.

Most of the IT names are at record high levels. Will incremental returns from here be led on earnings or on PE expansion?

It really depends on the time horizon you are looking at. If you are looking at a three-four year time horizon, earnings are expected to be very robust and that earnings growth will lead to further rerating. This happens in every sector.

Whenever the demand environment is very robust, it leads to margin expansion and profitability growth more than the volume growth and that leads to a valuation rerating of the sector.

In case of IT, these companies do not need to raise capital. They just throw out free cash flow and end up doing buybacks. The supply of paper being limited, more demand coming in leads to the rerating. From a three-four-year time horizon, a significant rerating is yet to happen. Earnings growth is the main compounder but valuation expansion will also add to growth.

From a market perspective, would the positivity and momentum of FAANG stocks in the US rub off on Indian IT?

Both are very different business models and very different spaces. It will be very unfair to compare FAANG stocks with Indian IT services. All FAANG stocks are platform plays, significantly technology-oriented and most of them have a B2C platform and for the first time in this cycle of tech, seeing most of them generating a huge amount of cash flow and are sitting on piles of cash.
Indian IT services are largely B2B and cater to some of those IT companies as well and across various industries. So both have a completely different driver of the valuation and one should never relate them. What is working in case of Indian IT services is that post pandemic, a very large period of tech cycle got compressed into next four-five years and most large companies are scrambling to keep pace with digital transformation.

Most large companies are trying to book capacity because even Indian IT services companies cannot ramp up capacity overnight. When talking about capacity, it is about having the right talent pool, right technology and catering to the digital transformation journey of these large companies which cuts across every industry. One needs domain knowledge, expertise in the technological transformation and hence over the next three-four years, you will see a significant growth environment for Indian IT services.

Sighting the same thing with the US technology companies and being no expert to comment on them. They have been doing well for 10 years and there are a lot of people making case for whether that cycle can be broken and whether there can be an antitrust situation where those monopolies can be broken. Those are very different issues. But even if US technology stocks were to slow down, there will not be a big impact on Indian IT services companies because they are diversified across various industries doing the real transformation work.

If somebody has to let us bet on pure digital, will that be a digital adapter or will it be a beneficiary? What are the choices in India?

The top three or four names have significant digital capabilities over the last many many years and that is a reason they are so well prepared. TCS for example has spent a significant amount much ahead of everybody else, getting themselves ready for this transformation and when they are ready and this growth has come they are able to capture a fairly large part of the profit pool and the growth cycle and hence it makes sense to have a disproportionately large exposure in these stocks.

Any risks to factor at this point?

There will always be a big risk component and one should not assume that this is going to be a one-way trajectory. There will be stock price volatility, correction is possible because of some news flow on the US election, rupee appreciation etc.

Another biggest risk is to have our own selection of the company. While every company will do well, one has to look out for the companies migrating from small to mid or mid to large phase and those are the companies which create significant value. If something in the midcap ends up becoming a large cap over the next three, four, five years, those will be the real opportunities.

So buying everything IT might be a bit risky. Every IT company has got rerated but every IT company may not get sustainable value. One should keep that in mind.

Highest Record! Mutual funds turned Super Bullish on IT Stocks.

IT has transformed into a ‘growth’ sector in a world beset by the Covid-19 pandemic, after shedding its long-held ‘defensives’ tag, resulting in disproportionate interest from local fund managers.

Domestic mutual funds have raised their holding of IT stocks by 290 basis points over the last one year, taking their total holding to 11.6% in September, a record high, according to data compiled by Motilal Oswal. Allocation to the IT sector stood at 8% and 8.7% at the end of December 2019 and June 2020, respectively.
The allocation of technology stocks in the portfolio of domestic funds is the second highest after private sector banks.

Despite the sharp pick up in IT sector allocation, local funds are still 210 basis points underweight on IT stocks. Of the top 20 funds, only three -- Axis, Tata and UTI -- are overweight on the sector.

The key reason why domestic fund managers have increased their holding of IT stocks has been because the sector's average 7.6% earnings upgrade after first-quarter results has been further boosted by encouraging demand commentaries by management in the September quarter.

Indian IT companies are gaining market share and have been able to grab large deals, thanks to vendor consolidation, digital transformation and automation. The $3.15 billion deal won by Infosys NSE -0.30 % in the September quarter is the highest ever in a quarter. In addition, IT companies have revised their revenue and margin guidance upwards and the forecast band has also been narrowing, in a reflection of higher confidence in stronger growth.

Due to the support from earnings upgrades and superior revenue visibility, IT stocks have been re-rated and are trading 30-45% higher than their long-term average.

Is it a good idea to be a buyer in Stocks frontline and Midcap IT stocks now?

In the IT sector, IT is good to know the conviction in IT has paid out. The multiples are reasonable and actually multiples are not the way to look at IT right now because you have a new demand cycle which is unfolding for which the catalyst has been Covid. Right from digital technologies to whether it is work from home and enterprise solutions, all these have a multi-year cycle and it provides a good earnings visibility. Against that backdrop. IT companies are increasing salaries and hiring and those two are the biggest positive indicators of demand and comfort in the outlook. So from that perspective, we will clearly be buyers of frontline IT as well as midcap IT at current levels too.

On the TCS growth story

TCS has been a 14-15% plus compounder over the last many years. And if you look at technology companies in general, there are various business catalysts. You had Y2K which transformed the Indian IT industry. And then you had the cloud and now you have digital technology. Each of these catalysts have been capitalised on by a bunch of companies which have entered into a new growth cycle. TCS has been successful over the last couple of years. They have been putting a lot of work into digital technologies and that is beginning to yield results. The fact that they have executed with 90% plus of their workforce at home and yet delivering on operating metric and improving, is a good indication that this earnings momentum is set to continue. The rate of change of technology remains very high. Against that backdrop, we are entering into a new cycle of continued earnings top line growth which is a better indicator of demand.

PHARMACEUTICALS IN SHARE MARKET

Vaccine in India.

According to the SEC, the safety data in phase I/II studies was small and there was no data available on Indian subjects. In August this year, the Sputnik V vaccine developed by the Gamaleya National Research Institute of Epidemiology and Microbiology was registered by the Ministry of Health of Russia and became the world's first registered vaccine against Coronavirus.

Strategies remain intact as we invest prudently in our research, manufacturing a Plant and enriching skill sets. In track of research of 8-10 new products every year across our Pharma business segments in India.

Natco Pharma aims to launch around 10 new products every year in the Indian market, and also have some interesting filings and high-value launches in our international markets in the coming years. During the year, Natco spent Rs 349 crore on capital expenditure, a majority of which was used to enhance capabilities of their manufacturing facilities.

A significant portion of the capex was done at the company's facility in Visakhapatnam in Andhra Pradesh while the remaining part was primarily used in the formulation facilities across the country. With diversification and sustainability in mind, the company invested in the Crop Health Sciences division targeting niche products. A Greenfield project in Nellore district of Andhra Pradesh is close to completion and expected to be commissioned during FY 2020-21.

IT looks good, but PHARMA is a Structural reality.

An individual is neutral to positive on IT but pharma and chemical could be a pretty structural story for years to come.

On the emerging market investing landscape

The emerging market investment outlook looks quite promising. In the broader emerging market universe, particularly in Asia, the recovery that we have seen in China is very encouraging. At the same time, the kind of recovery we have seen in the developed world were encouraging but there are some signs of stall out there but we believe that more help on the fiscal and the monetary side are on the way. That also augurs well for the emerging markets. We believe that in the current scenario, the emerging market investment scenario looks quite promising, the recovery in China is very good and as far as India is concerned, the worst is possibly behind us and going forward things should improve.

On how the market is pricing in this recovery

At the cusp of a turning point. Going forward, one should take a one to two year view and if our assumption on the vaccine rollout pans out, you are looking at a fairly strong recovery due to capital flows led by lower interest rates, adequate liquidity and credit growth picking up. The recovery could be quite strong going forward in the next one to two years wherein earnings could be quite strong going forward in the next one to two years and earnings could reflect that.

It is a bit challenging to say what is being priced in and what is not. What we can have is to always look at the companies or sectors where the pessimism is still very high like India's private sector banks which have been underperforming. If the recovery pans out as we are expecting, the credit cost may not play out as much as the market is fearing. That would turn out to be opportunities. So we can rather say that the recovery is not priced in some of the leisure stocks. But there they will be beneficiaries. Something like private sector banks, select auto stocks where the recovery is not priced in.

On IT & pharma

Chemicals and pharma is an integral part of manufacturing. Indian producers and manufacturers are getting global market share. It is a structural story and all the multinationals are considering China plus one strategy and here Indian companies have an edge. This is one story where the Indian companies can keep getting market share and this story can play out over a period of time.

Coming to IT, a couple of companies have reported results and the results were quite good. The margins were much better. Some of the companies have had a very decent performance in terms of stock prices and IT is one sector where the earnings growth has been surprising. But expectations have started to get built in and we have seen that in some of the stock price reactions.

On earnings trajectory coming back for market

Whenever a structural shift happens, the earnings growth suffers in the near term. In 2015, 2016 or thereabouts, the formalisation of the economy started and this formalisation has laid the groundwork for a digital India. The digital India or digital economy would not have been possible without say going online to identify yourself through Aadhaar card or mobile phone linked bank accounts and the 4G network. The digital economy picked up as a result of that. A year ago, tax cuts were announced on new investments. Now add to that, some of the import duties going up, some of the production linked incentives coming through, ensure that the government is trying to push manufacturing as a percentage of GDP.

So better manufacturing, better digital economy progress. All things more medium to longer term. Even in the short- to medium-term, having a very benign base because of everything being shut down due to Covid. Here building a very benign base and at the same time, the economy has contracted. Earlier seen the money supply growing, thanks to capital flows, thanks to RBI's accommodative stance. As and when the fears recede and which we believe it will, going forward we will have credit growth picking up. So even in the near term, even the cyclical part of the economy will pick up and digital and manufacturing are more medium to longer-term drivers. We like that story and think there is a two-three year visibility there.

On sectors correlated with the economy

The auto and auto ancillary space should recover along with the economy and there is an additional layer of preference for personal transport post Covid. That should also help. We like the auto sector. Within banks, private sector banks and select NBFCs. Even within financials, there are certain companies which are linked to the beneficiary of growth. For example, credit cards, general insurance tend to do well with economic recovery.
Capital goods come a bit later in the cycle because currently the reason why we are expecting faster profit growth is because capacity utilisation is low and that is why to get that additional top line, the companies need not put in the additional capex as yet. That is where the profit growth will be faster and that is why we like auto and banks as significant stories. But going forward, six months, nine months or twelve months down the line, when the capacity utilisation picks up, maybe one shouts picks up, may be one should be looking at industries or capital goods.

On positive commentary from IndusInd Bank & HDFC Bank

The market has been too pessimistic about the banks' prospects. We are on the recovery path and under the circumstances, banks businesses are growing and that is what is getting played out. Indications from some of the top banks including HDFC Bank are encouraging. Overall, even now, some banks are looking reasonably priced. There is still a valuation advantage in ICICI Bank and State Bank of India and investors can consider buying these banks at current level. HDFC Bank and IndusInd have moved up quite a bit and so not seeing much gain in the short term, but for somebody with a long-term view, these are good Buys.

On top bets in pharma

Pharma definitely needs to be in one's portfolio at this stage. A strong belief that a rerating is happening in Indian pharma and that is going to continue for some time, probably seen 20% of the rerating but it will take about one, one and a half years for the entire thing to play out.

If an investor has a slightly longer-term view, he should definitely look at some of the large companies like Sun Pharma. One can also enlarge the basket by including Aurobindo Pharma NSE -3.13 % and Natco Pharma and some of the smaller names like Shilpa Medicare in the mix. It is always better to build a basket than put all your investments in one particular stock.

“No better investment than in ourselves”

You might have come across a lot of news on Buybacks. Infact, the organisations are rapidly issuing their equities for the buybacks with their increasing volume of shares. But have you had a thought of whether what is the reason for issuing buybacks or how can it impact the investors or traders in the long run??
If you look at any financial news website the moment you rapidly come across the expression, ‘Share buybacks’ ,lots of firms are doing them, volumes are increasing so what are they all about and are they in fact such a great idea for investors ??

Why do companies expend on buying back their own shares from Shareholders? The company’s official party line is we will give you profit by buying back the shares we provide you!

Why Buybacks are better for Shareholders as compared to Dividends?

To differentiate a Dividend and Buyback we need to be a bit updated.

A Dividend payment depicts a definite return in a particular period of time which will be taxed, whereas a Buyback depicts an ambiguous return in future on which tax is contradicted unless the shares get sold.

What are Share Buybacks/Repurchases?

Buyback is the process of limiting the shares of the company in the market wherein, the value of the rest of its equities moves on towards high value.

Basically, investors and traders who are beginners do tend to misunderstand the exact reason for the issuance of buyback. But let us clarify, buyback are the equities that are repurchased by its own companies so as to limit the shares in the market. Here in this process of buyback the company is in a good state to profit the shareholders of their company and in an urge to climb higher in terms of growth in the future date.

They reduce the number of shares outstanding which makes each investor of the business more valuable over time.

Share buybacks and the Stock Market?

The ultimate goal of rational shareholders is to maximize the per share value of the business they own. Share buybacks help increase per share value by reducing the number of shares which are exceptionally good. In other words, share repurchases increase one's percentage in ownership.

To show how powerful this can be, let's examine the compounding power of business.

A Buy Back/Repurchase helps boost the proportion of earning that a Share is allocated, this will raise the stock price if the same price to Earnings ratio is maintained.

Share Buybacks/Repurchases, Dividends & Tax

If Tax did not exist, don't hold your breath, the effects of share buybacks would be identical to the effects of reinvesting dividends.

In a Tax-free environment, dividends are preferable to buyback because they give you the options for:

- Reinvesting back into the company i.e A Share repurchase/'Buybacks.
- Buying stocks in a different business.
- Using the cash dividend or consumption.

Unfortunately we don't live in a tax free world so we have to think of all the taxes a dividends must experience before it reaches us.

1. You are made to pay taxes on the income you earned to invest in the stock market.
2. The corporation is taxed on income it made to pay the dividends.
3. Your dividends payment itself is taxed.

Are Share repurchases better for Shareholders?

Yes, but It depends on the situation whether Dividends payments are taxed and Share repurchases/Buybacks are not. This makes share repurchases a more tax efficient strategy for returning Capitals to shareholders.

Share Repurchases/Buybacks in Stock Prices

So far, we have only spoken of the benefits of Share repurchases/Buybacks which can sometimes have the unintended consequences of destroying shareholders value.
How is this possible?

Share buybacks reduce shareholder value performance if an accompanying stock is trading above its intrinsic value.

To understand why and when a shareholder loses its value and to get a smooth exit, we'll use a fantastic analogy provided by Warren Buffett.
Warren Buffett on Share Buybacks " In the invested era, discussing about share repurchase often becomes heated, but I have suggested that participants in this debate take a deep breath. Assessing the disability of repurchase / buyback isn't that complicated from the standpoint of existing shareholders, repurchases are always a plus point, though the day to day impact of these purchases is usually getting minuscule. It is always better for a seller to have an additional buyer in the market".

ARE YOU EVEN INVITED TO SELL SHARES?

- Shareholders might be presented with a tender offer where they have an option to submit or tender all or a portion of their share within a given time frame at a premium to the current market price.
- In reality a lot of companies just buy them selectively in the Open Market.

ETFs A Boon!

Digi bank, by DBS, picked (SGBs) as an investment vehicle of choice for long-term investors. For shorter horizons, they suggested gold exchange traded funds (ETFs), gold savings funds and digital gold. At present, SGBs, ETFs and mutual funds, physical gold through jewellery and bars as well as digital gold and the options available for gold investing. SGBs carry a rate of interest of 2.5% per annum and are issued by the government with a tenor of eight years.

SGBs are the best investor vehicle, but a very inefficient trader vehicle. If you can hold them till maturity, they are one of the best, since capital gains tax is zero. If you sell before maturity, you don’t get this tax benefit. Investors who sell SGBs before maturity are subjected to short-term capital gains tax (STCG) or long-term capital gains tax (LTCG) depending on the holding period. LTCG applies to periods above three years and you also get the benefit of indexation. However SGBs are not very efficient for short-term trading. If you wish to hold for a year, selling in the secondary market can mean selling at a discount. The biggest issue with SGBs is liquidity. If we want to invest today, we have to wait for a tranche to come out. SGBs are not backed by physical gold but rather by a sovereign (government) promise of payment. Investors want backing of physical gold. We have not seen the entire assets of ETFs and funds move to SGBs for this reason. In gold ETFs and funds, you get indexation benefit after three years and this brings down the tax rate to 20%. You don’t have a very high tax rate with gold funds.

Funds which Trades like Stocks:-

Are ETFs right for you??

From 7,000 crore to 2 lakh crore - that is how the asset base of exchange-traded funds in India has grown over the last 5 years. ETFs are a kind of mutual fund, but with one big difference - as the name suggests, they are listed on exchanges and are traded like stocks. They are passive funds, i.e. they mimic an index, and a fund manager doesn't actively choose the constituent stocks. Although ETFs are traditionally cheaper than their non-listed counterparts, retail participation in this category.

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Exchange-traded funds formed from India's sold-down stakes in state-owned companies have lagged far behind as the market continues to recover from this year's pandemic selloff.

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The Central Public Sector Enterprises fund, or CPSE ETF, and the Bharat 22 ETF are each down about 28% in 2020 compared with an 8.5% decline in the S&P BSE Sensex. Created to raise funds for public spending while paring the fiscal deficit, these funds have performed poorly due to their high weightings of utilities and energy stock.

Oil and power stocks rank in the bottom half of India sector performance this year, while healthcare and IT lead gains. The S&P BSE PSU Index, a gauge of state firms, has shed more than 30% in 2020, set for its third straight annual loss. In fact, the gauge has trailed the Sensex in all but two years since the global financial crisis.

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The Bharat 22 ETF basket consists of names which are largely cyclical or value-oriented in nature, and are highly sensitive to macros,, which runs the fund. "At a time when GDP is slowing down, many of the names have lagged in terms of performance."

The government raised more than 613.5 billion rupees ($8.4 billion) through divestment of companies like Coal India Ltd., Oil & Natural Gas Corp Ltd. and NTPC Ltd. into ETFs. But not everyone is convinced of the merits of the funds for investors.

ETFs & INDEX FUND

Most of the time people get confused while investing in ETFs and Index Fund.
If one wants to invest in an ETF he/she should have a Demat and Trading account and they can purchase Real time NAV.

If one doesn't have a Demat account or Trading he/she should invest in Index Fund.

Pros and Cons of ETFs

Exchange Traded Funds have seen 30 times volume growth in the last five years, with the last one year being more spectacular due to Pension Fund and rising awareness among investors.

METLEX TO BE THE FIRST TRADABLE REAL TIME BASE METAL INDICES IN INDIA

India’s country's leading commodity bourse, launched Base Metals Index 'METLDEX' in October. The base metal index comes just over a month after the launch of MCX Bullion Index, BULLDEX. The bullion index was launched in August with gold and silver as fundamental.

The main motive of Base Metals Index is to track real-time performance of a basket of MCX Base Metal futures, i,e; zinc, copper, nickel, lead, and aluminium in MCX. In the Base Metals Index, zinc has got a weightage of around 33.06 percent, copper accounts for 29.81 percent, nickel has 14.77 percent weightage, lead has 12.88 per cent and aluminium is 9.48 per cent. Base Metals Index trading will help in facilitating instant portfolio diversification and encourage passive, clear thematic elements in portfolios. The Index will soon emerge as a new real time barometer for Indian metal industry. MCX has unveiled METLDEX futures expiring in November 2020, December 2020 and January 2021, but for now, At least 3 consecutive month contracts will be available at any given time. The lot size of each contract is 50 times that of the underlying MCX iCOMDEX Base Metals Index and tick size (minimum price movement) is ₹ 1.

Points to Remember while METLDEX Trading

The METLDEX futures contracts will be settled in cash between 4 pm and 5 pm on the expiry day of the index futures contract and the final settlement price will be based on the Volume Weighted Average Price of the underlying constituents.

While Reacting to the news, the stock jumped 3.30 per cent and made an intraday high of Rs 1,800 on BSE in October.

At any point in time, futures will be available for three consecutive months. Futures launched today are with the expiry of November 2020, December 2020, and January 2021. One lot size will be equal to 50 times of the underlying METLDEX. The minimum price movement for the contract is Rs 1.

Multi Commodity Exchange of India (MCX) offers to trade in commodity derivative contracts across various segments like bullion, industrial metals, energy, and agricultural commodities.

One should have a complete knowledge regarding METLDEX

Here are some key details of MCX METLDEX:

Symbol: MCXMETLDEX
Underlying Index: MCX iCOMDEX BASE METAL
Contract Initiation Day: 15th day of contract launch month. If 15th day is a holiday then the following working day.
Last Trading Day: One business day prior to the start of rollover period in the Underlying constituent index.
Trading Period: Mondays through Fridays
Trading Session: Monday to Friday: 9:00 am to 11:30 / 11:55 pm.
Trading Unit (1 Lot): Rs 50 MCX iCOMDEX Base Metal Index
Maximum Order Size: 80 Lots
Daily Price Limits: The base price limit will be 4%. Whenever the base daily price limit is breached, the relaxation will be allowed upto 6% without any cooling-off period in the trade.
In case the daily price limit of 6% is also breached, then after a cooling-off period of 15 minutes, the daily price limit will be relaxed upto 9%.
In case price movement in underlying Commodity Index is more than the maximum daily price limit of index futures (currently 9%), the price limit of the index futures may be further relaxed in steps of 3% and informed to the Regulator immediately
Initial Margin: Minimum 5% or based on SPAN whichever is higher.
Extreme Loss Margin: Minimum 1%
Additional and/or Special Margin: In case of additional volatility, an additional margin (on both buy & sell-side) and/or special margin (on either buy or sell side) at such percentage, as deemed fit; will be imposed in respect of all outstanding positions.
Maximum Allowable Open Position: For individual clients: 1,000 lots or 5% of a market-wide open position, whichever is higher for all MCX iCOMDEX Base Metal index futures contracts combined together.
For a member collectively for all clients: 10,000 lots or 15% of market wide open position, whichever is higher for all MCX iCOMDEX Base Metal index futures contracts combined together.
Due Date Rate: The Final Settlement Price will be the underlying Index price arrived at based on the Volume Weighted Average Price of the constituents of the Underlying Index between 4:00 pm and 5:00 pm on the expiry day of the Index futures Contract.Settlement Mechanism: The contract would be settled in cash.

What is this metal index and how can it make a difference?

After launching an amazing product GOLDEX which was the index created out of a portfolio of gold and silver. NOW METLDEX has been launched as an index on base Metal.

The necessity to trade in commodity indices was felt after the freak case of April when the benchmark WTI crude closed in the negative due to shortage of delivery storage. Since the MCX crude oil contracts are benchmarked to WTI Crude, the MCX settled the trade with negative prices resulting in additional losses for long crude oil traders. At that time, MCX had underlined the urgent need to launch indices that would be safer, more stable and less vulnerable to such price fluctuations.
The METLDEX is a weighted portfolio of key base metals like zinc, aluminum, nickel and copper. With a single position in futures of METLDEX, traders can get exposure to a complete portfolio of base metals. The advantage is that since it is a portfolio of base metals, any abrupt movements in the price of any single metal will not have an adverse impact on index traders. We have seen that even in equities Nifty trading tends to be less risky compared to single stocks. That is the argument that could make METLDEX popular among traders.

Index futures on the METLDEX could have a variety of applications. Traders with large long / short positions in the underlying base metals can now hedge their risk using the METLDEX futures. In addition, producers of these metals and the consumers of these metals can also hedge their risks using the METLDEX as a potent risk management tool. Then there is the case of stocking agents who hold huge inventories of such base metals and they can also use the METLDEX as a means of either hedging their price risk or even look to do an index arbitrage over time to lock in assured returns on their metal holdings. That can be a good way of monetizing their idle metal inventories profitably. In short, the choices are humongous. Of course the traders can always use the index to take a punt on price direction.

Time to look at next steps

SEBI has permitted institutions into the commodity space but the response has not been too enthusiastic. One way to get institutions interested is to catalyze the launch of metal linked ETFs that can be indexed to the METLDEX. Such index based ETFs on metals and different asset classes are extremely popular in other countries and would interest the investors in India too. MCX has bitten the bullet by launching two commodity indices. It is now time to leverage it to its full potential. That is the key!

1. MCX iCOMDEX indices represent a series of real-time commodity futures price indices, conceptualized for market participants to capture the pulse of commodity markets.

2. MCX iCOMDEX Base Metals Index is one of the sectoral indices in the MCX iCOMDEX family, and the index includes the liquid Base Metal futures contracts traded on MCX, viz. futures of Aluminium, Copper, Lead, Nickel and Zinc. The Index is an efficient tool for investors looking to manage their investments in Base Metals and, being an excess returns index, it is ideal for benchmarking and trading. Being a broad based index comprising important industrial metals, the index also is an indicator of the fundamentals and performance of the industrial sector, particularly the metals-using manufacturing industry. Further, being a diversified index, it would not get largely affected by micro-economic events relevant to one commodity market or sector.
3. Long-term investors can use the MCX iCOMDEX Base Metals Index to gain from exposure to the Base Metals sector as a whole. The Index can be used to make a powerful portfolio diversifier, with sound returns and low volatility over time as well as low correlation with equities and fixed income assets. Further, the diversification potentially reduces volatility in comparison to single commodity exposures.

TCS Buyback Of Shares

TCS Shares might be on most of the investor's list. But have you heard that Tata Consultancy Services is offering TCS Buyback of Shares?? A few might have a question regarding Buyback concerning what exactly it means. So here's the answer to this. For all the beginners out there and for the ones with half knowledge or confused brains for Share Market. When anyone offers buyback of shares, this clearly indicates that the party offering buyback is undoubtedly in a quite good condition. Similarly, when a company is presenting the buyback of its own equities, this crystally mirrors that it is in a booming situation and in an urge to grow with the expansion of its empire.

TCS had publicly announced its buyback of equities on 7th October 2020 for Rs 16,000 crore. Wherein, the buyback type is tagged as Tender Offer. Moreover, with 1.42 % of the Buyback Offer Size, the set price per buyback share is Rs. 3000 per equity. The number of Buyback equities is 5,33,33,333 with the Face Value stamped @10. The Record Date being set as 3rd November that is Tuesday, you being an investor have a good opportunity to jump for the handful returns. The market price of the TCS shares these days is running below Rs 3000. Therefore, you can spike in to hold the securities until 3rd November and get your stocks to buyback. This will in return deliver you with a differentiated profit.

The Simple Trick To Be A Part of TCS Buyback Of Shares

I. The very initial thing is to occupy your Demat Account with the TCS shares before the Record Date. It is yet to be announced whether you can store them physically or electronically.
II. The moment you see TCS shares in your Demat Account, you can enroll for the Buyback process by selling them through your broker. The date is not yet made public for the start of the participation of TCS buyback Shares.
III. Once you see that your shares are accepted for Buyback you are paid the value for your equities on a set date which is again yet to announce.

To experience uninterrupted trading and quality service, you can always give a knock at Lakshmishree Investment & Securities Pvt Ltd.

Wipro Buyback

Being one of the top among the India's IT companies, Wipro is the second company following TCS (Tata Consultancy Services) to announce the buyback of its shares. Booming the area of technology worldwide, Wipro has forecasted that by the end of Quarter Three, the company will grow between 1.5 - 3.5 percent by scaling up their revenue to 2.02 billion to 2.06 billion. With the approval of 237.5 million shares or you may consider as 4.16 percent of the total paid up shares, Wipro has set the price at Rs. 400 per equity.

Helding the Board of Directors meeting on 13th October 2020 the announcement of Wipro Buyback was public on the same day. Deciding on the FV for 2 and lining up the buyback equity price for Rs 400 per equity after buyback, Wipro has offered 23,75,00,000 number of shares for buyback. The CEO of Wipro has recently mentioned that they had an excellent growth in robust cash generation, revenues, and expansion of margins.

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Lakshmishree Investment & Securities (P) Ltd

401 & 407 , Marathon Icon, Marathon Nexgen Compound, Ganpatrao Kadam Marg, Lower Parel , Mumbai -400013

www.lakshmishree.com