श्री LAKSHMISHREE

*Gateway to your Financial Goals*

# 15th August 2021

# Bullish Outlook...

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# Invest Today, For Better Tomorrow !!

# From Managing Director's Desk To Readers

## How Does Monsoon Impact The Indian Stock Market?

Many factors drive the stock market. Not just quarterly results, profits, rumors, or news, even the weather or weather forecast impacts the stock market. Weather plays such a crucial role in the economy that markets in the US have started betting against weather conditions. That's right! The Chicago Mercantile Exchange had listed Weather Futures and Options way back in 1999. This allows companies to hedge against the risk associated with weather changes which could otherwise lead to a loss.

India is an agrarian economy. Almost every economic aspect in India depends on agriculture. Close to 70% of the Indian population is rural and depends on agriculture for livelihood and mind you, ~84% (FY2021) of India's annual budget is dedicated to agriculture itself.

India is a country with two monsoon seasons, one in the north half of India caused by the South-West Monsoon Winds and the other in the southern half of India caused by North-East Monsoon Winds. Bad rains could hugely affect the Indian economy. Bad Rains = Bad Agriculture. Farmers start to default on loans. Microfinance companies get affected. Lending Activities Take a Hit. Shortage of food causes food prices to go up and therefore inflation goes up. Government announces loan waivers which impacts credit discipline and the list goes on…

**How Does Monsoon Impact The Economy? Where Should I Invest?**

The Indian Meteorological Department (IMD) sets a benchmark for monsoon called the Long Period Average or the LPA. LPA is defined as the average rain received by the country as a whole during the southwest monsoon (July-September) over 50 years. The current LPA is 88 cm. The IMD forecasts or predicts the weather before the monsoon each year. However, the predictions are often inconsistent. The IMD has predicted that India is going to receive normal rainfalls at almost 98% of the LPA. Any 'major' deviation from the LPA can impact your portfolio Rains that impact agriculture, finance, inflation, and even power consumption. In this piece, we cover those sectors and stocks that could possibly be impacted by monsoons. One should keep a keen eye on how the monsoon turns out this year and how it can possibly impact the stock market. Speaking of which, the following sectors might get impacted due to monsoons:

**Fertilizers Chemicals and Seeds**

When rains are optimum, agriculture flourishes. Companies selling fertilizers, chemicals, and seeds tend to profit. This is because due to good produce and sale, farmers' buying power increases, and thereby prepares for the upcoming sowing season.

In case of abnormal rains (drought or excess rains), farmers can face a loss and therefore might not be able to scale up for the next sowing season.

**Micro Finance**

Agricultural financing and rural financing is a big market in India. They yield a good interest income to banks since many are unsecured, have a bad credit profile, or have risks associated with them. The Reserve Bank of India (RBI) classifies such rural and agricultural financing as 'Priority Sector Lending (PSL)'.

Small Finance Banks are required to give out at least 75% of Adjusted Net Bank Credit as Priority Sector Lending. Small Finance Banks (SFBs) along with Micro Finance Institutions (MFIs) form the chunk of entities that lend out money for rural and agricultural activities.

In case the rainfall is optimum, farmers can pay back their respective loans taken from SFBs and MFIs. In case of bad rains, farmers are likely to default on loans. The government might then announce a moratorium for them or a loan waiver. This would eventually impact the balance sheet of SFBs and MFIs as well as overall credit discipline.

**Power**

We often see pre-monsoon repairs going on in power companies right before the season. This is because power companies lose quite some money due to power cuts and damages caused by heavy rains. In 2018, the financial capital of Mumbai saw a ~30% slump in power consumption due to heavy rains.

Things may work the opposite way around for a state like Kerala. Unlike many states, Kerala receives most of its power from Hydel or Hydro Power. For Kerala, it means that the state needs good rains to generate more electricity. Heavy rainfall would mean higher generation of electricity. However, this does not save the state from damaged transmission and distribution lines due to heavy rains.

**FMCG**

A good monsoon would mean a good harvest and good mobility. FMCG stocks, especially ones that focus on rural themes benefit from a good rainfall. Companies like Dabur, Godrej Consumer, Emami, Britannia, Nestle India, and Marico.

**Automobile**

Rural areas have usage of two-wheelers, tractors, and other agro-tech automobiles. A good rainfall would mean greater income for farmers who are more likely to purchase automobiles after a good harvest. Along with an increase in automobile sales, one can also witness increased sales in tyres, auto-ancillary, batteries, etc.

For two-wheelers, we have companies like Hero and TVS that have a good rural cover. For tyres, we have stocks like Apollo Tyres, MRF, and Balkrishna Industries. A special emphasis on tyres since many might want to change tyres before or after a monsoon to avoid mishaps.

**What Lies Ahead**

A lockdown has been imposed due to the second wave of COVID-19. The rural part of India has been impacted this time, which wasn't the case in the first wave. The question remains, with the second wave of the coronavirus, can the monsoon really change things?

Monsoons have impacted the stock markets over the years. There has been a reduction in the dependence of India on agriculture as a percentage of GDP. Moreover, changes in technology and better weather forecasting have made it easier to be prepared for a calamity way in advance.

**Salil Shah**

Managing Director
Lakshmishree Investments & Securities Pvt Ltd

# Policybazaar IPO: 10 things to know about India's largest online insurance aggregator

The market for insurance products in India is estimated to be Rs 7.6 lakh crore ($102 billion) in total premium in FY20 across life and non-life insurance and is expected to grow to Rs 39 lakh crore ($520 billion) by FY30 at a CAGR of 17.8 percent.

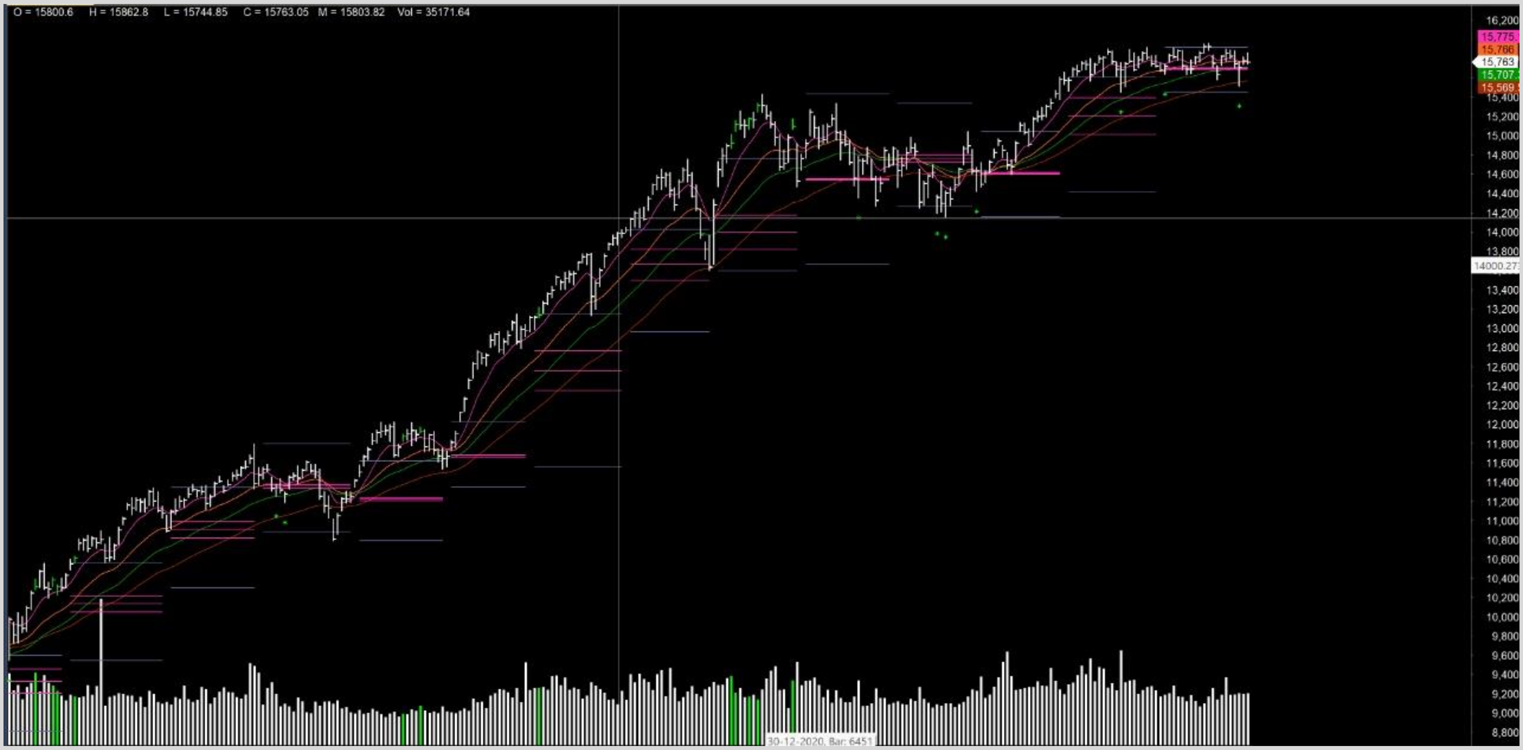
The Indian insurance market is highly underpenetrated, with the life insurance market penetration in terms of sum assured as a percentage of GDP of only 24.6 percent, as compared to 265 percent in USA and 95.4 percent in China in FY20.

In FY20, 1.0 percent of the total premium was sold through online channels in India, which was much lower compared to 13.3 percent in the USA and 5.5 percent in China.

India's consumer lending market was Rs 32.8 lakh crore ($437 billion) in FY20 in terms of outstanding loan balance and is estimated to reach Rs 78.1 lakh crore ($1,041 billion) by FY30, representing a CAGR of 9.1 percent. Despite the large market size, India's lending market is highly under penetrated and stood at 16.7 percent of nominal GDP, much lower as compared to the USA at 79.2 percent and China at 55.6 percent. In FY20, only 0.9 percent of disbursals were through digital marketplaces in India. This represents a meaningful market opportunity for Paisabazaar's current digital lending offering to tap, in collaboration with lending partners.

1. The IPO will be undertaken by PB Fintech Ltd, the parent of Policybazaar.
2. The issue comprises fresh issue of Rs 3,750 crore worth of equity shares and an offer for sale of Rs 2,267.50 crore by existing shareholders and promoters.
3. The OFS will see sale of up to Rs 1,875 crore worth of shares by SVF Python II (Cayman) and up to Rs 392.50 crore by others.
4. The company also proposes to raise Rs 750 crore through placement of shares before the IPO. Information regarding this has already been shared by the company with the regulator.
5. A major chunk of money raised through the IPO will be used for expansion of the company's operations and for furthering growth plans. Reports suggest that Policybazaar is seeking a valuation of USD 5.5-6 billion.
6. Policybazaar is backed by investors such as Softbank, Temasek, Info Edge, Tiger Global Management and Tencent Holdings Ltd., was founded in 2008 to tap vast under-served Indian insurance market.
7. It's IPO follows good response received by another Indian startup Zomato. This IPO received overwhelming response from the market that has seen its shares jump over 80 per cent.
8. Policybazaar works on the business model that provides its customers choice of policies at different price points and helps them in making an informed decision on insurance.
9. The success of this IPO is expected to open the floodgates for similar entities to tap the market.
10. Kotak Mahindra and Morgan Stanley are the global coordinators for PB Fintech's IPO. Other bookrunners include Citigroup, ICICI Securities, HDFC Bank, IIFL Securities and Jefferies.

# Look What Our Research Analyst Has To Say…




Nifty for the entire month consolidated in a range of 15550-15950 leaving no clue for the directional players. The bull run in mid and small caps continued with select mid caps breakout on earnings surprise and the said trend will remain intact for entire earnings seasons.  On nifty we have witnessed a range breakout and should be heading to test 16500 initially. Only concern is banknifty which has highest weightage on nifty and is failing to follow through. The breakouts on nifty failed to cheer banknifty as OI was in falling trend. A catchup above 36000 will sync both the bellwether and a smooth journey towards north will be confirmed. For now any dip bank into range below 15909 will lead to failed breakout and we will head back to test 15400. Any dips and rejection around 15909 will head tot est 16500/16750.

**Anshul Jain**

Research Analyst

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# Stocks To Watch

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# 1. IIFL Wealth Management Ltd.

| Industry | LTP | Recommendation | Base Case Fair Value | Bull Case Fair Value | Time Horizon |
|---|---|---|---|---|---|
| BFSI - NBFC | Rs. 1388.9 | Buy at LTP and add on dips to Rs 1220-1225 band | Rs. 1523 | Rs. 1642 | 2 Quarters |

| | |
|---|---|
| Shree Varahi Scrip Code | IIFLWAM |
| BSE Code | 542772 |
| NSE Code | IIFLWAM |
| Bloomberg | IIFLWAM IN |
| CMP Jul 16, 2021 (Rs) | 1,388.9 |
| Equity Capital (Rs Cr) | 17.6 |
| Face Value (Rs) | 2 |
| Eq. Share O/S (Cr) | 8.8 |
| Market Cap (Rs Cr) | 12,214.7 |
| Adj. Book Value (Rs) | 321.8 |
| Avg. 52 Week Volumes | 54,083 |
| 52 Week High | 1,440.0 |
| 52 Week Low | 856.9 |

| **Share Holding Pattern % (June, 2021)** | |
|---|---|
| Promoters | 22.92 |
| Institutions | 65.00 |
| Non Institutions | 12.08 |
| Total | 100.0 |

# Our Take…

IIFL Wealth Management Ltd. (IWML) is among the largest Non-Bank wealth management firms in India with a closing AUM of over Rs 2 lakh crore as of FY21. The company has grown over the years organically as well as inorganically with an AUM CAGR of ~25% over FY15- FY21. IWML's few sizeable acquisitions includes 1) L&T Finance capital market business in 2019 and 2) Wealth Advisors India based in Chennai. With only 9% of the wealth professionally managed and the number of HNIs expected to almost double from FY20 to FY25, provides a huge scope for wealth management firms to grow. IWML is transitioning from distribution commission based model to the more stable recurring revenue model which provides better visibility for the future. Within annual recurring revenue (ARR), it aims to scale-up the IIFL One and the AIF driven AMC business. Cost control initiatives undertaken in the last 12-18 months should result in higher profitability. Low capital requirement and high dividend payouts render it attractive to shareholders. The company has been targeting an absolute RoE of 19-20% by FY23 from current 14.1% RoE (excluding goodwill) along with continuation of aggressive dividend pay-out policy of 60-80%. The company has also guided an average AUM growth of CAGR 20% over FY21-23E.

# Valuations…

We expect total income of the company to increase at 14.7% CAGR over FY21-FY23 driven by strong growth in recurring revenue assets. PAT is expected to grow at 19.2% CAGR resulting from the cost saving initiatives taken by the company in the last 12-18 months. RoE (excl. goodwill) is likely to expand from 14.1% in FY21 to 19.9% in FY23. Due to buoyant capital markets, investors could park a part of their profits/wealth with wealth management companies like IWML; this could lead to a faster growth in AUM. Investors can buy the stock at LTP and add on dips to Rs 1,220-1,225 (20.5x FY23E EPS) for a base case fair value of Rs 1,523 (25.5x FY23E EPS) and bull case fair value of Rs 1,642 (27.5x FY23E EPS) in the next two quarters.

## Financial Summary...

| Particulars (RsCr) | Q4FY21 | Q4FY20 | YoY-% | Q3FY21 | QoQ-% | FY20 | FY21P | FY22E | FY23E |
|---|---|---|---|---|---|---|---|---|---|
| Total Income | 288 | 178 | 61.8 | 280 | 2.9 | 851 | 1053 | 1231 | 1386 |
| APAT | 104 | -2 | -5005.6 | 97 | 8.2 | 202 | 370 | 449 | 525 |
| Diluted EPS (Rs) | 11.9 | -0.2 | -4963.8 | 11.0 | 7.9 | 23.2 | 42.0 | 51.1 | 59.7 |
| P/E (x) | | | | | | 59.8 | 33.0 | 27.2 | 23.3 |
| P/BV (x) | | | | | | 4.0 | 4.3 | 4.1 | 4.0 |
| RoAA (%) | | | | | | 1.8 | 3.4 | 5.1 | 5.8 |

## Income Statement...

| (Rs Cr) | FY19 | FY20 | FY21P | FY22E | FY23E |
|---|---|---|---|---|---|
| **Recurring Revenues** | **444** | **535** | **583** | **762** | **910** |
| Non-Recurring Revenue | 623 | 316 | 470 | 468 | 476 |
| **Total Income** | **1067** | **851** | **1053** | **1231** | **1386** |
| Employee exp | 331 | 373 | 409 | 448 | 488 |
| Depreciation | 22 | 41 | 43 | 49 | 51 |
| Other exp | 178 | 149 | 116 | 135 | 147 |
| Total operating exp | 531 | 563 | 568 | 632 | 686 |
| **PBT** | **536** | **288** | **485** | **598** | **700** |
| Tax | 163 | 85 | 116 | 150 | 175 |
| **PAT** | **373** | **202** | **370** | **449** | **525** |

# Balance Sheet…

| (Rs Cr) | FY19 | FY20 | FY21P | FY22E | FY23E |
|---|---|---|---|---|---|
| Share Capital | 17 | 17 | 18 | 18 | 18 |
| Reserves & Surplus | 2893 | 2974 | 2810 | 2925 | 3054 |
| **Shareholder funds** | **2910** | **2992** | **2828** | **2943** | **3072** |
| Borrowings | 6103 | 8838 | 4712 | 4707 | 5177 |
| Other Liab & Prov. | 767 | 1191 | 1201 | 1071 | 1086 |
| **SOURCES OF FUNDS** | **9780** | **13021** | **8740** | **8720** | **9335** |
| Fixed Assets | 322 | 421 | 466 | 489 | 514 |
| Investment | 3053 | 6512 | 2513 | 2251 | 2118 |
| Cash & Bank Balance | 277 | 1179 | 788 | 655 | 659 |
| Advances | 4966 | 3632 | 3721 | 4093 | 4707 |
| Other Assets | 974 | 1088 | 879 | 859 | 965 |
| **TOTAL ASSETS** | **9780** | **13021** | **8740** | **8720** | **9335** |

# 2. Edelweiss Financial Services Ltd.

| Industry | LTP | Recommendation | Base Case Fair Value | Bull Case Fair Value | Time Horizon |
|---|---|---|---|---|---|
| BFSI – NBFC | Rs. 88.8 | Buy in Rs 88-90 band and add further in Rs 73-75 band | Rs. 108 | Rs. 117 | 2 Quarters |

| | |
|---|---|
| Shree Varahi Scrip Code | EDELWEISS |
| BSE Code | 532922 |
| NSE Code | EDELWEISS |
| Bloomberg | EDEL IN |
| CMP July 20, 2021 | 88.8 |
| Equity Capital (Rs Cr) | 93.7 |
| Face Value (Rs) | 1 |
| Eq- Share O/S(Cr) | 93.7 |
| Market Cap (Rs Cr) | 8305.2 |
| Book Value (Rs) | 73.8 |
| Avg. 52 Week Volumes | 28,12,000 |
| 52 Week High | 100.9 |
| 52 Week Low | 50.0 |

| **Share Holding Pattern % (June, 2021)** | |
|---|---|
| Promoters | 32.85 |
| Institutions | 34.38 |
| Non Institutions | 27.97 |
| Total | 100.0 |

# Our Take...

Edelweiss Financial Services (EFS) has evolved from a capital market player to become a financial conglomerate with interests across lending, asset reconstruction, wealth management, asset management, and insurance. Over the last two years the company has pivoted from one company with multiple divisions to making all its businesses independent. In the lending business it is gradually moving from being a wholesale lender to building a more granular loan book as the credit crisis post the IL&FS fiasco hit the company hard. It is  amongst the leader in the asset reconstruction and wealth management industries both of which are fast growing and have huge potential. Recent stake sale in the wealth management and insurance broking business would provide much needed capital for investment mainly in the insurance business which is scaling up well.

The company is consistently focusing on strengthening its balance sheet and liquidity position. Its D/E (excluding Treasury assets) has come down from 4.4x in FY19 to 2.5x as on FY21 while company's exposure to wholesale loan assets has been constantly reducing from ~Rs 17,700cr in FY19 to Rs ~11,400cr as on FY21. With the retail strategy in place, comfortable capital adequacy and liquidity  across businesses, EFS is poised for strong growth in the coming years. It has made a lot of investments in technology to build an asset-light retail credit business which should drive down operating expenses. The management expects subdued profitability for FY22 due to likely impact from Covid second wave, impact of maintaining liquidity buffer, declining Wholesale Credit exposure and calibrated growth in ARC with focus on recoveries.

# Valuations...

Investors can buy the stock in the band of Rs 88-90 and add on dips to Rs 73-75 band for a base case fair value of Rs 108 and bull case fair value of Rs 117 in the next two quarters.

# Financial Summary...

| Particulars (RsCr) | Q4FY21 | Q4FY20 | YoY-% | Q3FY20 | QoQ-% | FY20 | FY21P | FY22E | FY23E |
|---|---|---|---|---|---|---|---|---|---|
| Net Operating Income | 3523 | 811 | 334.5 | 1266 | 178.2 | 4810 | 7015 | 5359 | 5397 |
| Operating Profit | 1820 | -270 | LP | 109 | 1574.5 | 1105 | 2220 | 912 | 864 |
| APAT | 629 | -2245 | LP | -70 | LP | -2045 | 265 | 164 | 371 |
| Diluted EPS (Rs) | 7.1 | -25.2 | LP | -0.7 | LP | -23.0 | 3.0 | 1.8 | 4.2 |
| P/E (x) | | | | | | -3.9 | 29.8 | 48.1 | 21.3 |
| P/BV (x) | | | | | | 1.3 | 1.2 | 1.2 | 1.1 |

# Income Statement...

| (Rs Cr) | FY19 | FY20 | FY21P | FY22E | FY23E |
|---|---|---|---|---|---|
| Interest Income | 6838 | 5902 | 4034 | 3696 | 3424 |
| Interest Expenses | 4783 | 4793 | 3834 | 3025 | 2392 |
| **Net Interest Income** | **2055** | **1109** | **200** | **672** | **1032** |
| Income from Insurance business | 884 | 1057 | 1325 | 1457 | 1603 |
| Other Income | 3439 | 2644 | 5490 | 3230 | 2763 |
| **Operating Income** | **6378** | **4810** | **7015** | **5359** | **5397** |
| Operating Expenses | 3935 | 3705 | 4795 | 4447 | 4533 |
| **PPoP** | **2443** | **1105** | **2220** | **912** | **864** |
| Prov & Cont | 704 | 3562 | 2074 | 709 | 390 |
| Profit Before Tax | 1740 | -2457 | 146 | 202 | 474 |
| Tax | 699 | -413 | -108 | 51 | 119 |
| **PAT** | **1040** | **-2044** | **255** | **152** | **356** |
| Minority Interest | -49 | -1 | 11 | 13 | 15 |
| Profit/Loss of Associates | 4 | 0 | -1 | 0 | 0 |
| **Adj. PAT** | **995** | **-2045** | **265** | **164** | **371** |

# Balance Sheet…

| (Rs Cr) | FY19 | FY20 | FY21P | FY22E | FY23E |
|---|---|---|---|---|---|
| Share Capital | 89 | 89 | 89 | 89 | 89 |
| Reserves & Surplus | 7588 | 6040 | 6488 | 6640 | 6996 |
| **Shareholder funds** | **7676** | **6129** | **6577** | **6729** | **7085** |
| Minority Interest | 1038 | 1078 | 1100 | 1112 | 1127 |
| Borrowings | 46148 | 36657 | 28426 | 23280 | 18326 |
| Other Liab & Prov. | 9291 | 10416 | 9872 | 11427 | 11772 |
| **SOURCES OF FUNDS** | **64154** | **54280** | **45975** | **42548** | **38310** |
| Fixed Assets | 820 | 1770 | 1388 | 1319 | 1253 |
| Goodwill on Consolidation | 174 | 172 | 66 | 66 | 66 |
| Investment | 13027 | 10458 | 13390 | 14527 | 15577 |
| Cash & Bank Balance | 6455 | 8610 | 4760 | 4097 | 2902 |
| Advances | 38408 | 28361 | 21911 | 18624 | 15272 |
| Other Assets | 5269 | 4909 | 4459 | 3915 | 3241 |
| **TOTAL ASSETS** | **64154** | **54280** | **45975** | **42548** | **38310** |

# Ratio Analysis

| | FY19 | FY20 | FY21P | FY22E | FY23E |
|---|---|---|---|---|---|
| EPS (Rs) | 11.2 | -23.0 | 3.0 | 1.8 | 4.2 |
| P/E (x) | 7.9 | -3.9 | 29.8 | 48.1 | 21.3 |
| BV (Rs) | 86.5 | 68.9 | 73.8 | 75.5 | 79.5 |
| P/B (x) | 1.0 | 1.3 | 1.2 | 1.2 | 1.1 |
| RoNW | 13.0 | -33.4 | 4.0 | 2.4 | 5.2 |
| P/E (x) | 11.2 | -23.0 | 3.0 | 1.8 | 4.2 |

# This Might Impact Your Investments !!

# Global inflation is on the rise. Why aren't central banks worrying?

The COVID-19 pandemic continues to challenge central banks. When the pandemic struck and economies nosedived, the pressure was on central banks to rescue and sustain the economy. This led to a quick opening of liquidity floodgates to keep the economy humming. A year later fortunes have changed. And now a rise in inflation has put pressure on central banks to tighten the hosepipes they opened last year. How do central banks cope with this sudden change of events?

The accompanying graph pictures this turnaround of fortunes in a few selected advanced economies. We see that since the pandemic in February 2020, inflation in these economies which was already lower than the target of 2 percent, started drifting even lower. The low inflation indicated low demand which was because of global a slowdown as policymakers imposed lockdowns that curtailed economic activity.

From Jan 2021 onwards, we see rise in inflation because of stronger recoveries in economies and partly because of the base effect. In its June 2020 outlook, the International Monetary Fund had projected the world economy and advanced economies to shrink 4.9 percent and 8 percent respectively in 2020. Since then, IMF has upgraded its forecast in subsequent outlooks. In the recent July 2021 outlook, it said the world economy and advanced economies contracted 3.2 percent and 4.6 percent in 2020.

Central banks have come under pressure due to this sudden rise in inflation. However, so far they have stayed away from tightening monetary policy. The catchword for central banks regarding inflation is 'transitory' as seen in recent monetary policy statements of Federal Reserve, European Central Bank and Bank of England. IMF's July outlook also used the same word.
Why aren't central banks worried? There are multifold reasons.

First, central banks actually will be happy with inflation being higher than target. For nearly a decade now, the inflation in developed countries has been lower than targeted leading to criticism. This was obviously ironical as central banks are often criticized for higher inflation. The Federal Reserve even tweaked its framework from inflation targeting to average inflation targeting (AIT). Under AIT, if inflation has been lower for a certain period, the Federal Reserve will allow inflation to be higher so that average inflation over the entire period to be 2 percent.

Second, there is still slack in the economy and growth and unemployment are still not at pre-pandemic levels. This requires continued support from central banks.

Third, inflation has risen due to supply chain disruptions which are gradually easing with rising vaccinations and normalcy.

Fourth, commodity prices have also played a role in the recent rise in inflation. Core inflation, which excludes fuel and food prices, is high only in the case of the US.

Fifth, high inflation is also on account of the base effect. The chart shows that inflation ebbed in Feb 20 and then begins to rise in Feb 21 (For the Euroarea, in December). So, even if the inflation index has increased marginally from Feb 2021, the change from last year will be magnified as index had dipped last year. This is the base effect. As a result, IMF in the July 21 outlook notes "the current spikes in annual inflation in part are the result of mechanical base effects from last year's low commodity price".

Last but not least, is the important factor of inflation expectations. If inflation expectations also go up, then central banks poise themselves for action. In the US, while survey-based inflation expectations have edged up, those tracked by financial markets have remained close to the inflation target. In Europe and UK, inflation expectations are broadly anchored.

Having said that, if current inflation remains elevated, inflation expectations will also inch up creating concerns for central banks.

Coming to Emerging and Developing countries (EDCs), inflation has risen there too. Unlike developed countries, EDCs are never in a comfortable position on the inflation front as food prices have both higher weightage in the inflation basket and influence inflation expectations.

On the top of it, EDCs will also be watching inflation trends in developed countries. If inflation continues to go up in developed world, pushing central banks to tighten monetary policy before expectations, one could see capital outflows from the EDCs. This is what we saw in 2013 when Fed chair Ben Bernanke just announced the possibility of tapering policy leading to tantrums and chaos in EDC markets.

To sum up, inflation seems to be back after being in the wilderness for more than a decade. Ever since the 2008 crisis, economists have been divided on inflation in two camps. The pessimists have constantly warned that inflation is around the corner. On the other hand, the optimists have suggested that central banks need not worry about inflation and should instead focus on growth.

When inflation had remained muted, the policy weight was towards the second camp. The virus shock has brought inflation back to the discussion. Developed country central banks may not be worried over inflation now, but for how long is yet to be seen.

## How to get the Bad Bank off to a good start

Following the announcement in the FY22 budget, India’s first bad bank, the National Asset Reconstruction Company Limited (NARCL) was incorporated last month. With an initial paid-up capital of Rs 74.6 crore, the entity is expected to take over bad assets worth Rs 89,000 crore. Cleaning up bank balance sheets is the first of many steps to resolve the banking system’s non-performing asset (NPA) crisis and the formation of NARCL is expected to be a significant step in that direction.

NARCL will be the latest entrant in the ecosystem of entities and regulations overseeing the buying, selling, managing and resolving bad assets. A report of the Standing Committee on Finance indicates that the proposed bad bank will be similar to an Asset Reconstruction Company (ARC) with an Asset Management Company (AMC) under it. The ARC will attempt to resolve the stressed assets, while the AMC will manage and sell bad assets. Unlike other ARCs, NARCL is expected to be better capitalised, and the government will be guaranteeing its security receipts (SRs), effectively insulating the banks from any losses that occur in the realisation of SRs. This will enable it to buy bad assets from banks at net book value (NBV), whereas other ARCs tend to offer a steep discount on the book value. More importantly, the assets to be purchased by NARCL, atleast in the first tranche, appear to be those which have been fully provided for.

Thus, purchasing the assets at NBV and the government guarantees on the SRs are expected to ensure that bank balance sheets do not take a hit. Consequently, NARCL will be better able to aggregate debt from multiple lenders and take complete control of a borrower's debt. NARCL's success will depend significantly on whether it has the required resources and operational framework to achieve its objectives. Let us assess this.

One, reports suggest that there would be no direct equity infusion by the government. Instead, the government will have indirect control as almost all Public Sector Banks (PSBs) are expected to hold substantial stakes in NARCL.

This is problematic as NARCL will then be owned by the very banks it buys bad assets from and can result in a circuitous flow of funds. The dual role that banks will play as investors and customers of NARCL, will make it unclear whether the institution's objective is maximisation of residual value of assets or of its profit. The US experience with the Resolution Trust Corporation (RTC) has shown that a sudden surge in available assets for sale could have price-distortionary effects. This could prove counterproductive if NARCL's objective is to maximise the recovery value on these assets. Further, NARCL is expected to purchase assets with ticket size of Rs 500 crore and above, especially those financed by multiple lenders. These are likely to be bespoke corporate or infrastructure related loans which have niche and fragmented markets, unlike, say, residential real estate loans. This could delay the disposal of the bad assets by NARCL and consequently the realisation of their value.

Two, RBI regulations stipulate that ARCs can purchase NPAs from sponsor banks on arm's length basis and at market determined prices. However, NARCL will purchase these assets from banks at NBV, and not at market-determined prices, as stipulated by RBI's ARC regulations that NARCL will be subject to, which are usually much lower, thus creating regulatory uncertainty around the validity of such transfers.

The standing committee on finance highlighted the possibility of such regulatory uncertainty and recommended that RBI issue regulations reflecting administrative clarity and economic logic while removing any ambiguity or discretion on part of banks. Experiences of other jurisdictions, such as the US, which created the RTC through the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) and South Korea, which strengthened the Korea Asset Management Corporation (KAMCO) through the Act on Efficient Management of Non-performing Assets of Financial Institutions and Establishment of Korea Asset Management Corporation, indicate that a clear statutory backing, clarity of objectives and an independent and professional management are key to the success of a bad bank, components which seem absent in the current structure.

Three, the lack of an explicit sunset clause on the functioning of NARCL or the government guarantee raises potential anti-competitive concerns as banks will likely sell their bad assets above the Rs 500 crore, to only NARCL.

This situation is further exacerbated when NARCL, by purchasing the assets at NBV, will likely set the reserve price of these assets beyond the reach of other ARCs. Consequently, the development of the market for bad assets could be severely impaired and this could prove counterproductive to the primary objective of establishing NARCL.

The government's efforts and intent to get NARCL off the ground is well-placed. However, these need to be complemented by clear thinking and articulation of the operational and strategic imperatives of NARCL. More importantly, it needs to be ensured that NARCL does not become yet another PSU with the attendant bureaucratic delays and inefficiencies.

The government would do well to set up an independent institution with direct equity infusion and legislative backing, similar to RTC and KAMCO, clearly outlining the entity's objectives, sources of funds and accountability framework.

# Windlas Biotech mobilises Rs 120.46 crore from 22 anchor investors ahead of IPO

Domestic pharmaceutical formulations company Windlas Biotech has mopped up Rs 120.46 crore through the anchor book launched for a day on August 3, a day before issue opening.

The company in its BSE filing today said after consultation with merchant bankers, it has finalised allocation of 26,18,706 equity shares to anchor investors.

Anchor investors received shares at Rs 460 per equity share.

Marquee investors who participated in the anchor book were Macquarie, Optimix Wholesale Global Emerging Markets, Invesco Trustee, Kuber India Fund, and Elara India Opportunities Fund.

Among others, ICICI Prudential, Nippon India, UTI MF, Sundaram MF, BNP Paribas, Avendus MF, and Canara HSBC also invested in the company."Out of the total allocation of 26,18,706 equity shares to the anchor investors, 11,95,680 equity shares (i.e. 45.66 percent of the total anchor investors allocation) have been allocated to 4 mutual funds who have applied through a total of 13 schemes."

The Rs 401.53-crore IPO of Windlas Biotech will open for subscription on August 4 and will close on August 6. The offer comprises a fresh issue of Rs 165 crore, and an offer for sale of 51,42,067 equity shares by Vimla Windlass, and Tano India Private Equity Fund II.

Also read - Windlas Biotech IPO: 10 key things to know before the issue opens

The price band for the offer has been fixed at Rs 448-460 per equity share.The company will utilise net proceeds from fresh issue for purchase of equipment required for capacity expansion of existing facility at Dehradun Plant – IV, addition of injectables dosage capability at existing facility at Dehradun Plant-II; working capital requirements; and repayment of borrowings.

Windlas Biotech is amongst the top five players in the domestic pharmaceutical formulations contract development and manufacturing organization (CDMO) industry in India in terms of revenue. The company also sells own branded products in the trade generics and over-the-counter (OTC) markets as well as export generic products to several countries.

# Exxaro Tiles raises Rs 23.68 crore from anchor investors, ahead of IPO

Vitrified tiles manufacturer Exxaro Tiles has raised Rs 23.68 crore from two anchor investors on August 3, ahead of issue opening.

The offer will open for subscription on August 4 and will close on August 6.

The IPO committee of the company, in consultation with merchant bankers, has finalised allocation of 19,73,325 equity shares to anchor investors at a price of Rs 120 per share, said the company in its BSE filing on August 3.

Quant Mutual Fund through its Quant Active Fund and Quant Small Cap Fund bought 7,78,250 equity shares each, and AG Dynamic Funds acquired 4,16,825 equity shares, the company added.

Exxar Tiles is planning to raise Rs 161.08 crore through its public issue at higher end of price band of Rs 118-120 per share.

The initial public offering of 1.34 crore equity shares comprises a fresh issue of 1.11 crore equity shares and an offer for sale of 22.38 lakh equity shares by Dixitkumar Patel.

The offer includes a reservation of 2,68,500 equity shares for the company's employees, which will be issued at a discount of Rs 12 to final issue price.

The net proceeds from the fresh issue will be used for repaying of certain borrowings, working capital requirements, and general corporate purposes.

Exxaro Tiles is engaged in manufacturing and marketing of vitrified tiles used majorly for flooring solutions.

# Market capitalisation of BSE-listed cos surge to record high of Rs 240 lakh crore

The market capitalisation of BSE-listed companies jumped to a record high of Rs 2,40,04,664.28 crore on Tuesday, driven by a rally in stocks that also saw the benchmark Sensex touching its lifetime peak of 53,887.98 points.

Rallying for the second consecutive day on Tuesday, the 30-share BSE index closed at a fresh closing peak of 53,823.36 points, a jump of 872.73 points or 1.65 per cent. During the day, it zoomed 937.35 points to 53,887.98 points. Investors' wealth soared by Rs 4,54,915.38 crore since Friday's close.

In the previous session, the Sensex rallied 363.79 points or 0.69 per cent. From the 30-share frontline companies pack, Titan was the biggest gainer with a jump of nearly 4 per cent followed by HDFC, Nestle India Limited, IndusInd Bank, UltraTech Cement, Bharti Airtel, and State Bank of India. Other heavyweights such as Infosys and TCS also added to the market rally.

According to Gaurav Garg, Head of Research, CapitalVia Global Research Ltd, sentiments in the Indian market remained positive with the GST collection increasing and the manufacturing sector gaining a boost and posting the strongest rate of growth in the month of July amid easing of COVID restrictions. "What really provided support to the market was the Q1 FY22 earnings report which began on a very healthy note despite the COVID 2.0 impact.”

In the broader market, the BSE midcap and smallcap indices closed with up to 0.23 per cent gains. Binod Modi, Head Strategy at Reliance Securities, said domestic equities extended gains and recorded fresh highs. "Notably, key economic indicators like GST collection, auto sales volume and other high frequency indicators like e-way bills indicate a strong rebound in July, which bodes well and indicate sustained healthy corporate earnings in subsequent quarters."

## Nuvoco Vistas Corporation's Rs 5,000 crore IPO opens on August 9; price band, lot size to be announced tomorrow

Cement company Nuvoco Vistas Corporation, promoted by Dr Karsanbhai K Patel who is associated with the Nirma Group, is set to launch its public issue for subscription on August 9. This would be 6th company to open IPO in the current month, after Devyani International, Windlas Biotech, Exxaro Tiles, Krsnaa Diagnostics, and CarTrade Tech.

The issue will close on August 11. The anchor investor bidding date will be one working day prior to the offer opening date - August 6, as per the RHP.

The company is planning to raise Rs 5,000 crore through public offer, comprising a fresh issue of Rs 1,500 crore and an offer for sale of Rs 3,500 crore by promoter Niyogi Enterprise.

The company will disclose details about price band and lot size in a press conference to be held on August 4. The net proceeds from the fresh issue will be utilised for repaying of borrowings (Rs 1,350 crore), and general corporate purposes.

Nuvoco is the fifth largest cement company in India and the largest cement company in East India in terms of capacity. As of December 31, 2020, its cement production capacity constituted approximately 4.2 percent of total cement capacity in India, 17 percent of total cement capacity in East India and 5 percent of total cement capacity in North India. It is also one of the leading ready-mix concrete manufacturers in India.

ICICI Securities, Axis Capital, HSBC Securities and Capital Markets (India), JP Morgan India, and SBI Capital Markets are the book running lead managers to the issue.

The company has received in-principle approvals from the BSE and National Stock Exchange (NSE) for the listing of equity shares.

# Technical View: Nifty tops 16,000 to form large bullish candle, MACD gives a buy signal

The Nifty finally broke out of its almost 400 point range of the last two months in style as it zoomed past the psychologically important 16,000-mark to end at a record closing high on August 3. All key sectoral indices, barring metals, closed in the green.

Healthy June quarter earnings with management commentaries suggesting an improved demand environment, weaker impact of the second Covid wave and pick up in vaccinations lifted sentiment.

The index formed a large bullish candle on the daily charts as the closing was much higher than opening levels. The index can comfortably march towards 16,300 in the coming sessions, experts said.

"Finally bulls appear to have garnered courage to register a sustainable breakout above 33 sessions old trading range placed between 15,900–15,500 levels. Hence, based on the current consolidation breakout, this index shall have a comfortable target placed around 16,300 levels."

The Nifty50 started off the day at 15,951.55 and extended the uptrend as the day progressed to hit an intraday record high of 16,146.90 in the late trade. The index ended the session at a record closing high of 16,130.80, rising 245.60 points, or 1.55 percent.

One interesting thing visible on the charts was a buy signal triggered by the MACD indicator on the daily charts.

The Moving Average Convergence/Divergence indicator is basically a refinement of the two moving averages systems and measures the distance between the two moving average lines.

"Interestingly, this breakout also triggered a buy signal on daily MACD chart adding more credibility to the current leg of upswing. However, going forward, it remains critical for the Nifty to sustain above 15,900 levels as a breach of this level should ideally result in failure of the current breakout."

He advised traders to make use of mild weakness to go long by placing a stop below 15,900 and look for an initial target of 16,300.

India VIX moved up 7.4 percent from 12.80 to 13.74 levels after declining for the last three sessions. "Volatility spiked as Call writers got trapped and huge Call unwinding pressure was seen as it gave a range breakout."

On the options front, maximum Put open interest was seen at 15,800 followed by 15,500 strike, while maximum Call open interest was seen at 16,000 followed by 15,800 strike. Call writing was seen at 16,400 then 16,500 strike, while meaningful Put writing was seen at 16,000 then 15,900 strike.

The data indicates that the upper resistance has increased for the Nifty and the broader trading range for the index could be between 15,800 and 16,400 levels for the coming sessions.

**Banking index**

The Bank Nifty opened flat at 34,660.75 but managed to hold 34,600 and gradually extended its move to hit the day's high of 35,238.45.

It formed a big bullish candle on the daily scale and gained 497.40 points, or 1.43 percent, to close at 35,207.40 as buying interest was seen in most banking stocks.

"The Bank Nifty has given a range breakout on daily scale and managed to close above 35,000. Now, it has to hold above 35,000 to witness an upmove towards 35,500 then 35,750 levels while on the downside supports are seen at 34,750 then 34,500 levels."

The Nifty futures closed positive with the gains of 1.51 percent at 16,149 levels. On the stocks front, a bullish setup was seen in Cummins India, Ashok Leyland, Havells, HDFC, Titan, UltraTech Cement, SBI, Godrej Consumer Products, Sun Pharma, Dabur, Bharti Airtel, Divis Labs, Dr Lal Path Labs and TCS. Weakness was seen in RBL Bank, PVR, Shriram Transport Finance, Exide Industries and LIC Housing Finance.

## Change in ranking: ICICI Bank now second largest financial firm in terms of m-cap after HDFC Bank

Strong gains in the Indian equity market propelled the market-capitalisation (m-cap) of some of the heavyweights to new heights on August 3.

BSE data shows, the m-cap of as many as 21 stocks are more than Rs 2 lakh crore each now while 12 stocks have an m-cap of more than Rs 3 lakh crore. Seven stocks have an m-cap of more than Rs 4 lakh crore each.

There has been a churn in top stocks in terms of m-cap. ICICI Bank has surpassed HDFC in terms of m-cap to claim the spot of the second-largest financial institution by m-cap after HDFC Bank.

As per BSE data, RIL is the top stock in terms of m-cap of Rs 13.23 lakh crore, followed by TCS (Rs 12.15 lakh crore), HDFC Bank (Rs 7.94 lakh crore), Infosys (Rs 7.04 lakh crore), HUL (Rs 5.62 lakh crore), ICICI Bank (Rs 4.78 lakh crore) and HDFC (Rs 4.61 lakh crore).

The overall market capitalisation of BSE-listed firms jumped to Rs 240 lakh crore from Rs 237.7 lakh crore in the previous session, making investors richer by Rs 2.3 lakh crore in a single day.

The 30-share pack Sensex saw only three stocks - Bajaj Auto (down 0.33 percent), Tata Steel (down 0.20 percent) and NTPC (down 0.17 percent) - ending in the red on August 3.

Titan, HDFC, Nestle, IndusInd Bank and UltraTech Cement ended as the top five gainers of the Sensex kitty.

In terms of index contribution, HDFC, Infosys, Tata Consultancy Services (TCS), ICICI Bank, Hindustan Unilever (HUL), Reliance Industries (RIL) and HDFC Bank remained at the top, in that order.

Largecaps stole the show today as the Sensex and the Nifty rose nearly 2 percent while the gains of mid and smallcaps were mild.

The Sensex hit its fresh all-time high of 53,887.98, while the Nifty made a fresh peak of 16,146.90 in intraday trade.

The BSE midcap and smallcap indices also scaled record highs of 23,443 and 27,232, respectively.

Eventually, the Sensex closed with a gain of 873 points, or 1.65 percent, at 53,823.36, while the Nifty finished at 16,130.75, up 246 points, or 1.55 percent.

The BSE midcap index closed at 23,374, up 0.19 percent, while the smallcap index settled with a gain of 0.23 percent at 27,134.

Largely in-line quarterly earnings and improving macroeconomic numbers boosted market sentiment. Analysts still believe there are bottom-up opportunities in this market with economic growth picking pace.

"At current valuations, the risk-reward is relatively less lucrative in the near term and demands consistent earnings delivery versus expectations. However, the gradual opening up of the economy and an improved demand backdrop do offer bottom-up opportunities."

## Bharti Airtel Q1 results: Net profit comes in at Rs 284 crore, revenue at Rs 26,854 crore

The company's 4G customer base grew by 4.61 crore year-on-year (YoY) to reach 18.44 crore, which is 57 percent of the overall customer base.

Bharti Airtel on August 3 posted consolidated net income (after exceptional items) for the quarter ended June 2021(Q1FY22) at Rs 284 crore, which was below the market expectations.

A CNBC-TV18 poll had estimated the number to the tune of Rs 350 crore. In Q1FY21, the company had posted a loss of Rs 15,933 crore.

Revenue for the quarter came in at Rs 26,854 crore, above the estimates of CNBC-TV18 poll of Rs 25,834 crore.

EBITDA stood at Rs 13,189 crore while the EBITDA margin was 49.1 percent during the quarter under review.

CNBC-TV18 poll had estimated EBITDA at Rs 12,374 crore and EBITDA margin at 47.9 percent.

"Our consolidated revenues at 26,854 crores grew by Rs 1,106 crore over the last quarter representing a sequential growth of 4.3 percent while EBITDA margins improved from 48.9 percent to 49.1 percent," said Gopal Vittal, MD and CEO, India & South Asia, Bharti Airtel.

"While our wireless revenue was impacted by the COVID lockdown induced slowdown in terms of device shipments and a financial squeeze at the lower end of the market, our overall performance reflected the resilience and strength of our portfolio," said Vittal.

The company's 4G customer base grew by 4.61 crore year-on-year (YoY) to reach 18.44 crore, which is 57 percent of the overall customer base.

The company saw a 14.8 percent YoY rise in the Indian consumer base during the quarter while the Africa market's consumer base grew 8.4 percent YoY. However, the South Asia consumer base de-grew 1.5 percent YoY. Overall, the customer base of the company rose 13 percent YoY.Mobile average revenue per user (ARPU) improved to Rs 146 against Rs 138 in Q1FY21 on a comparable basis. Monthly mobile data consumption per customer came at 18.5 GBs, up 13.7 percent YoY.

The company said it registered the highest-ever customer additions of 2,85,000 in the home business in Q1FY22. Digital TV business added 2,82,000 customers, base increased to 1.8 crore in Q1FY22.

# Movers & Shakers: Stocks that moved the most as Nifty surged from 13,000 to 16,000

Nifty hit 13,000 on November 24, 2020 and the next leg of rally from 13,000 to 14,000 was covered by the index in a little over one month till December 31, 2020. After hitting a low in March 2020, when the government first announced a lockdown to curb the spread of coronavirus, the market started to recover. The benchmark index next scaled another high of 15,000 on February 5, 2021. And the final 1,000 point rally from 15k to 16k took about 6 months. On August 3, 2021, Nifty closed at a fresh record high of 16,130. This journey from 13,000 to 16,000 has not been unilateral. While many stocks marched ahead along with the benchmarks, some other lagged. Here's a look:

Top Nifty gainers from mount 13,000 to 14,000: Paint manufacturing firm Asian Paints was the top index gainer, jumping 25.21 percent followed by Adani Ports and Special Economic Zone and ONGC which added 22-23 percent each. Titan Company, Tata Steel, Housing Development Finance Corporation, Sun Pharmaceutical Industries, JSW Steel, Larsen & Toubro and State Bank Of India were the other gainers adding 12-18 percent.

Top Nifty losers from mount 13,000 to 14,000: Royal Enfield manufacturer, Eicher Motors was the top index loser shedding over 6 percent followed by Power Grid Corporation Of India, Bharat Petroleum Corporation, Mahindra & Mahindra, Shree Cements, HDFC Bank, Axis Bank, Britannia Industries, Bajaj Finserv and Reliance Industries which fell 0.5 percent to 2 percent.

Top Nifty gainers from 14,000 to 15,000: The rally from mount 14k to mount 15K was largely led by top auto names. Tata Motors led the chart surging 71.82 percent despite JLR drag followed by PSU Banking major SBI which gained 43 percent. The other gainers included Grasim Industries, Bajaj Auto, Ultratech Cement, Mahindra & Mahindra, Larsen & Toubro, Adani Ports and Special Economic Zone, Axis Bank and Eicher Motors.

Top Nifty losers from mount 14,000 to 15,000: After leading the gains from 13,000 to 14,000, Asian Paints made a U-turn falling over 14 percent followed by Dr. Reddy's Laboratories, Nestle India, Hindustan Unilever, SBI Life Insurance Company, Titan Company, Reliance Industries, Maruti Suzuki India, Tech Mahindra and Britannia Industries.

Top Nifty gainers from 15,000 to 16,000: The brisk run-up of the 1000 point rally in Nifty in a little over 6 months was led by metal stocks. Tata Steel led the rally, surging 105 percent followed by JSW Steel (85.65 percent) and Hindalco Industries which added over 70 percent. The other gainers included UPL which added 47 percent, Bajaj Finserv (45 percent), Wipro (39 percent) and Grasim Industries which was up 34 percent. Divi's Laboratories, Infosys and Tata Consumer Products gained over 28 percent each.

# Windlas Biotech IPO: 8 key things to know before the issue opens

Windlas Biotech, the domestic pharmaceutical formulations contract development and manufacturing organization, is going to open its initial public offering this week. This would be the second pharma company after Glenmark Life Sciences to launch IPO this year 2021.

Here are 8 key things to know before subscribing the public issue:

**<u>1) IPO Dates</u>**

The company has decided to open its public offer for subscription on August 4 and the offer will close on August 6, while the anchor book, if any, will be opened for a single day on August 3, the day before issue opening.

**<u>2) Public Issue Details</u>**

The initial public offer comprises a fresh issue of Rs 165 crore, and an offer for sale of 51,42,067 equity shares by offer for sale. The offer for sale comprises a selling of 11,36,000 equity shares by Vimla Windlass, and 40,06,067 equity shares by Tano India Private Equity Fund II.

**<u>3) Price Band</u>**

The price band for the offer has been fixed at Rs 448-460 per equity share.

**<u>4) Fund Raising and Objectives of Issue</u>**

The company is planning to raise Rs 395.36 crore at lower end of price band, and Rs 401.53 crore at upper price band.

The net proceeds from fresh issue will be utilised for purchase of equipment required for capacity expansion of existing facility at Dehradun Plant – IV, addition of injectables dosage capability at existing facility at Dehradun Plant-II; incremental working capital requirements; repayment of certain of borrowings; and general corporate purposes.

The company will not receive any proceeds from offer for sale issue as the same money will go to selling shareholders.

**<u>5) Lot Size and Categorywise Portion</u>**

Investors can bid for a minimum of 30 equity shares and in multiples of 30 equity shares thereafter. The minimum investment by retail investor will be Rs 13,800 per lot and the maximum investment would be Rs 1,93,200 for 14 lots. Retail investors are allowed to invest up to Rs 2 lakh in the IPO.

The company has reserved up to Rs 50 percent of the offer for qualified institutional buyers, 15 percent of the offer for non-institutional bidders and the remaining 35 percent for retail investors.

All potential Bidders (except anchor investors) are required to mandatorily utilise the Application Supported by Blocked Amount (ASBA) process providing details of their respective bank accounts and UPI ID, in which the corresponding bid amounts will be blocked by the Self Certified Syndicate Banks (SCSBs) or the Sponsor Bank. Anchor investors are not permitted to participate in the offer through the ASBA process.

## 6) Company Profile

Windlas Biotech is amongst the top five players in the domestic pharmaceutical formulations contract development and manufacturing organization (CDMO) industry in India in terms of revenue, having over two decades of experience in manufacturing both solid and liquid pharmaceutical dosage forms and significant experience in providing specialized capabilities.

It provides a comprehensive range of CDMO services in compliance with current good manufacturing practices (GMP) with a focus on improved safety, efficacy and cost. In FY20, its market share was approximately 1.5 percent in terms of revenue in the domestic formulations CDMO industry.

In addition to providing services and products in the CDMO market, the company also sells own branded products in the trade generics and over-the-counter (OTC) markets as well as export generic products to several countries.

Its complex generic products portfolio primarily comprises fixed dosage combinations, fixed dosage plus modified release combinations, customized generics and chewable or dispersible, which was 68.48 percent in FY21 of total product portfolio.

The complex generic products market has a high barrier to entry as these products are generally difficult to develop and require special know-how from the development and manufacturing perspective compared to conventional generic products.

## 7) Strengths and Strategies

a) It is amongst the top five players in the domestic pharmaceutical formulations CDMOs in terms of revenue, with focus on the chronic therapeutic category.

b) It has an innovative portfolio of complex generic products supported by robust research & development (R&D) capabilities.

c) It has an efficient and quality compliant manufacturing facilities with significant entry barriers. It currently owns and operates four manufacturing facilities located at Dehradun in Uttarakhand. As of March 31, 2021, its manufacturing facilities had an aggregate installed operating capacity of 706.38 crore tablets/capsules, 5.44 crore pouch/ sachet and 6.108 crore liquid bottles.

d) It has developed relationships with leading Indian pharmaceutical companies, including Pfizer, Sanofi India, Cadila Healthcare/ Zydus Healthcare, Emcure Pharmaceuticals, Eris Lifesciences, Intas Pharmaceuticals, and Systopic Laboratories.

e) It has a consistent track record of financial performance.

f) It has an experienced promoters and senior management with a professional and technically qualified team.

**Strategies**

a) It intends to capitalize on expansion opportunities by leveraging leadership position in the CDMO industry.

b) It intends to continue to grow CDMO customer base.

c) It intends to expand product portfolio and delivery systems by enhancing R&D and manufacturing capabilities.

d) It intends to focus on the domestic trade generics and OTC Brands SBV and high growth export markets by capitalizing on industry opportunities.

e) It intends to foray into high growth injectables segment.

f) It intends to augment organic growth by pursuing selective acquisitions and strategic alliances.

**8) Financials**

The company reported profit at Rs 15.6 crore on revenue of Rs 427.6 crore in FY21 and profit of Rs 16.2 crore on revenue of Rs 328.9 crore in FY20.

In addition, the company has been able to continue its growth despite the operating restrictions/ lockdown imposed on account of the Covid-19 pandemic, and revenue from operations increased by 30.03 percent from Rs 328.85 crore in FY20 to Rs 427.6 crore in FY21. Earnings before interest, tax, depreciation and amortisation (EBITDA) also increased by 60.35 percent from Rs 34 crore in FY20 to Rs 54.52 crore in FY21.

# Nifty50 hits 16000! 29 stocks gave multibagger returns in NSE 500 since February

Nifty50 surpassed Mount 16K for the first time on August 3 which translates into an upside of over 14 percent so far in 2021. The index completed its 1000-point journey in about 6 months.

Nifty50 hit 15000 for the first time on February 5 and since then has tried to surpass 16000 multiple times since June, failing each time. The index faced a strong resistance near 15900-16000, but it managed to surpass the levels on an intraday basis on Tuesday.

During Nifty's 1000-point journey, as many as 29 stocks from the Nifty 500 space rose over 100 percent. These include names like JSW Energy, Shree Renuka, Praj Industries, Lux Industries, Adani Total Gas, CDSL, KPIT Technologies, and SAIL, among others.

Nifty50 is trading above crucial short and long-term moving averages which suggest that the momentum is intact, and we could see higher levels for the index post the breakout above 16000.

For the past two months, Nifty has been consolidating within a very tight range of 15450-15950. The index is now approaching the breakout of this range.

“Technical indicators on the daily time frame are starting to show bullishness, with MACD line crossing above its signal line for the first time since mid-June. Also, the RSI line has started to exhibit bullishness, and Bollinger Bands are widening.”

“Given how tight the range in Nifty has become over the past two months, one should keep a close eye on the price action near the psychological 16000 level.”

Chinchalkar added that closing above this level is likely to resume bullishness in the index and propel it towards 16300-16400 in the next few sessions. On the downside, 15770 now becomes the immediate support to watch out for.

Sumeet Bagadia, Executive Director at Choice Broking also suggested that if the market breaks 16000 levels on a closing basis, a strong upside move can be seen till 16200-16500 levels.

“Overall, Nifty 5-months move was approx 500 points, and now there is a possibility of 500 points move in the next 5 days as after a long consolidation we have seen this breakout.”
Nifty winners & laggards:

As Nifty50 completes its 1000-point journey, one Nifty stock more than doubled investors' wealth while 15 stocks rose more than 20 percent.

Tracking rally in the metal space, Tata Steel rallied 105% since February 5 while UltraTech Cements, Asian Paints, Tech Mahindra Wipro, UPL, Hindalco, and JSW Steel rallied 20-80% in the same period.

On the sectoral front – the Nifty Metal index rose 67 percent, followed by Nifty Realty (up 22 percent), Nifty PSE (up 21 percent), Nifty IT (up 21 percent), and Nifty 500 which was up over 12 percent.

Laggards on the sectoral front were Nifty Bank, Nifty Private Bank, Nifty Auto as well as Nifty Financial Services.

On the broader markets front – the Nifty Midcap 100 rose 26 percent, and the Nifty Smallcap 100 index rose 39 percent in the same period.

# Exxaro Tiles IPO | 10 things to know before subscribing to the issue

The initial public offering of vitrified tiles manufacturer Exxaro Tiles is one of four taking place this week. Here are 10 key things to know before subscribing to the issue:

**1) IPO Dates**

Bidding opens on August 4 and closes on August 6. The anchor book, if any, opens for subscription for a day on August 3.

**2) Public Issue Details**

The issue size is 13.4 million equity shares comprising of 11.18 million fresh shares and an offer for sale of up to 2.23 million shares by investor Dixitkumar Patel. The company has reserved 268,500 shares for employees.

**3) Price Band**

The shares will be offered in the range of Rs 118-120 apiece. Employees get a discount of Rs 12 to the final issue price. The total value of all shares on offer is Rs 161.08 crore, at the higher end of the price band.

**4) Objectives of Issue**

The company will use the net proceeds for repaying certain loans, as working capital and for general corporate purposes.

**5) Lot Size and Categorywise Portion**

The minimum bid lot is 125 equity shares and multiples of 125 equity shares thereafter. The minimum investment by retail investors is Rs 15,000 per lot and the maximum is Rs 1.95 lakh for 13 lots.

Up to 25 percent of the offer is reserved for qualified institutional buyers, 40 percent for retail investors and 35 percent for non-institutional investors.

**6) Company Profile**

Exxaro Tiles makes and sells vitrified floor tiles. The company started as a partnership firm in 2007-08 making frit, a raw material used in tile manufacturing, and evolved over the years into a manufacturer of vitrified tiles.

It has two product categories – double charge vitrified tiles and glazed vitrified tiles.

The products are marketed under the Exxaro brand and they are available in six sizes and in more than 1,000 designs. It also supplies wall tiles to certain dealers, outsourcing their manufacture.

Exxaro has more than 2,000 dealers and its tiles were sold in 24 states and Union Territories in FY21. The tiles are also exported to over 12 countries including Poland, the United Arab Emirates, Italy and Bosnia. Exports contributed 13.88 percent of the company's total revenue and they have increased at a CAGR of 47.92 percent during FY19-FY21.

The company has two plants at Padra and Talod in Gujarat with a combined installed production capacity of 13.2 million square metres per annum.

**7) Strengths and Strategies**

**Strengths**

a) State-of-the-art plants with focus on design and quality.b) Two channels for domestic marketing – supply through dealer-distribution network and supply to infrastructure-related projects and private customers.c) Portfolio range of over 1,000 designs.
d) Management with expertise in ceramic industry, dedicated employee base.

Also read - Krsnaa Diagnostics IPO opens tomorrow; 10 things to know about the public issue

**Strategies**

a) Marketing initiatives to strengthen brand Exxaro and enhance visibility.b) Expand dealer network in existing markets and widen export market.c) Increase sales by enhancing manufacturing and procuring materials on outsourced basis.
d) Improve operating efficiencies through technology enhancements and setting up own gas station.

**8) Financials and Peer Comparison**

Exxaro Tiles made a profit of Rs 15.23 crore on revenue from operations of Rs 255.14 crore (total revenue of Rs 259.85 crore) in FY21 compared with profit of Rs 11.26 crore on revenue of Rs 240.74 crore in FY20. Earnings stood at Rs 8.92 crore on revenue of Rs 242.25 crore in FY19.

Primary peers include Kajaria Ceramics, Asian Granito India, Somany Ceramics, Orient Bell and Murudeshwar Ceramics..9) Promoters and Management

Mukeshkumar Patel, Kirankumar Patel, Dineshbhai Patel and Rameshbhai Patel are the promoters with a shareholding of 55.19 percent of the pre-offer paid-up capital. The promoters and the promoter group hold 18.8 million shares, or 56.09 percent of the pre-offer paid-up equity capital. The rest is held by others.Mukeshkumar Patel is chairman and managing director. He was previously account finance manager with Classic Microtech from 2007 to 2011 and manager account and finance with Regent Granito (India) from 2002 to 2007. He has about 19 years of experience in financial and marketing operations in building materials and the ceramic industry. He plans and formulates the company's overall business and commercial strategy and develops business relations. He manages the entire accounting and financial operations.

Kirankumar Patel is a fulltime director and one of the promoters. He was proprietor of Sunshine Vitrified Tiles from 2006 to 2011. He has over 15 years of experience in sales and marketing and in the manufacturing industry. He manages sales and distribution and leads the human resources department.

Dineshbhai Patel is wholetime director and a promoter. He worked as production and operations manager at Regent Granito (India) from 2002 to 2007 and in a similar capacity with Classic Microtech from 2007 to 2012. He has 18 years of experience. He manages production and administrative operations at the Talod manufacturing facility.

Kamal Dave, Daxeshkumar Thakkar and Nidhi Gupta are independent directors.Himanshu Shah was appointed chief financial officer of the company on May 20, 2021. He has 14 years of experience in finance, auditing and accounting. Before joining Exxaro, he was general manager – finance and accounts, at Asian Granito India.

10) Allotment, Refunds and Listing Dates

Share allotment on August 11.

Refunds/unblocking of funds from ASBA accounts on August 12.

Shares to be issued and credited to demat accounts of eligible investors on August 13.

Trading in equity shares to commence August 17.

Thank

You ☺

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