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Gateway to your Financial Goals

Desperate Bulls

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From Managing Director's Desk To Readers

Your Money Faces Headwinds Amid Surging Inflation And Economic Slowdown

Gloomy and more uncertain, says the latest update from the International Monetary Fund (IMF), a multilateral agency on prospects for the world economy. The world's biggest economies face unprecedented challenges. Surging inflation and economic slowdown are putting uncertainty at the centre of everything. Financial markets can deal with volatility. However, it is hard to move forward when things get uncertain. That applies to bonds, equity and currency markets alike.

It is a cycle of negative news flow that could take the shine off your savings and investments. Interest rates continue to move up as that is a significant weapon against inflation. Your investments have no meaning in a high inflation scenario.

For example, the annual consumer price inflation rate in Sri Lanka is over 60%. To tame that, the government in Sri Lanka not only has to raise interest rates it has to enforce austerity measures on an unprecedented level to curb demand for goods and services. That puts people into hardship. At the same time, they can survive that if it is for a few weeks or months. However, the longer it lasts, it could trigger further civil unrest.

The inflation beast is in India's neighbourhood. Pakistan is another country where the economy is on the brink. That is causing a lot of hardship to the people. For example, Pakistan does not have a domestic tea manufacturing capability. It imports over $600m worth of tea from countries like Sri Lanka. A minister in that country was quoted as urging the Pakistani people to consume less tea.

Vulnerable is India

Last week, former RBI governor Raghuram Rajan said that India was not facing a situation similar to Pakistan and Sri Lanka thanks to the efficient management of foreign exchange reserves by the Reserve Bank of India. A key indicator is a money India owes to foreigners. The headline number of the current account deficit indicates that it has narrowed steadily in the quarter to March 2022. According to the RBI data, India has enough money to pay for 11 months of imports. Also, India does not owe too much foreign exchange to other nations. The short-term debt repayment is bringing many economies down. India's short-term liabilities are manageable. Besides that, India's merchandise exports rose, and foreign remittances to India remained strong, according to a speech by Michael D Patra, deputy governor of the RBI, last month.

What it means to your money

Your fixed deposits would enjoy a higher interest rate. However, if inflation remains elevated, that makes no difference to the actual returns you get on your savings. They remain low. For creating wealth, the ability to save money is just a stepping stone. You need to invest regularly to beat inflation over the long term. Equity assets are the only asset class that can help you consistently beat inflation. You need patience and the ability to hold on to your investments.

Equity returns are linked to profits generated by major listed companies. You directly or indirectly invest in these businesses. Rising inflation and interest rates put pressure on corporate profits. If money costs get too high, businesses tend to slow down investments and spending. That further hurts job creation and stalls economic activity. The latest quarterly conference call transcript of Hindustan Unilever, the biggest consumer company, mentions inflation 65 times. The company management has warned of future profit margin pressure due to high input prices. Similarly, TCS, the biggest software services exporter, told investors that the technology spending by companies in the US and Europe would be resilient despite the geo-political conflict in Europe. As diverse businesses navigate a strategy out of challenging situations, you need to focus on your priorities.

If you have financial commitments in the short term, you should not invest in equity assets. There is no point in blaming equity markets if you suffer losses. Your money needs you to take a rational approach. Put aside the amount you do not need now. If you have a good understanding of finance, you may want to put it in equity assets directly and indirectly regularly. You are better off index investing if you are not a 'finance' person.

Salil Shah

Managing Director
Lakshmishree Investments & Securities Pvt Ltd

Look What Our Research Analyst Has To Say…

Nifty as we discussed in previous reports that range bottom is being rejected around 15500 and should head back to range high around 17500-17800 zone. The index is close to testing those zones. Now there are 2 probabilities emerging, one is rejection of the said zone and back to range lows of 15500 or a sideways absorptions of the said zones followed by breakout and test of fresh highs with targets of 18800-19200.

Impact of GST on Food Services & Restaurant Business

This article brings to you the results of impact analysis on something which is very near and dear to us; or, rather to our stomachs –the restaurant and food industry.

Here we will try to explain how the restaurant bill will look under GST and what are its implications for the end consumers, the owners and the overall industry.

According to the National Restaurant Association of India's 2019 India Food Service Report, the size of the Indian food service industry was 1,48,353 crore in 2018-19 and is projected to grow to Rs. 2,57,907 crore in 2022-2023 with a CAGR of 15%.

This growth is further fuelled by the growth of the great Indian middle class. Rapid urbanization, growing awareness of western lifestyles, more women joining the workforce, and higher disposable income were some of the factors that contributed to the growth of the restaurant industry. As a result, we find ourselves waiting in queues in most of the restaurants during the weekend.

Understanding a pre-GST Restaurant Bill

As an end consumer, we hardly pay attention to our food bill in these restaurants and most of us are not even aware of the components included in it. If you revisit your food bill from the pre-GST fine-dine experience, you'll find Service Tax, Service Charge, VAT being added over and above the food value.

First, let us understand the components of the bill:

- **VAT:** This is the tax charged on the food portion of your bill.
- **Service Tax:** This is the tax charged on the services provided by the restaurant. [To avoid unnecessary complications, the government had already bifurcated the service portion and food portion and charged taxes accordingly.]
- **Service Charge:** This is a charge applied by the restaurants and not by the government. THIS IS NOT A TAX. It should not be confused with service tax as this is an income to the hotels. Service tax is not an income and merely a tax collected from you and submitted to the government.

However, the rates under GST are vastly different from what you would find before the tax policy change. Let us look at these changed rates below.

GST Rates on Eating Out from 1st October 2019

Sr. No.	Types Of Restaurants	GST Rate
1	Railways/IRCTC	5% without ITC
2	Standalone restaurants	5% without ITC
3	Standalone outdoor catering services or food delivery service	5% without ITC
4	Restaurants within hotels (Where room tariff is less than Rs 7,500)	5% without ITC
5	Normal/composite outdoor catering within hotels (Where room tariff is less than Rs 7,500)	5% without ITC
6	Restaurants within hotels* (Where room tariff is more than or equal to Rs 7,500)	18% with ITC
7	Normal/composite outdoor catering within hotels* (Where room tariff is more than or equal to Rs 7,500)	18% with ITC

*This covers individuals supplying catering or other services in hotels (having room tariff of Rs 7,500 or more) and not any hotel accommodation services.

In the GST regime, the Service Tax and VAT amount will be subsumed into one single rate, but you may still find service charge doing rounds on your food bill. So, at a standard rate of 18% under GST, a consumer will save about Rs. 55 on a transaction value of Rs. 2,200. Here, we have assumed that VAT is applicable at 100% of the value without any abatement. Furthermore, if we see the effective rate of tax under VAT regime, it sums up to around 20.5% which will come down to 18%.

So, at a standard rate of 18% under GST, a consumer will save about Rs. 55 on a transaction value of Rs. 2,200. Here, we have assumed that VAT is applicable at 100% of the value without any abatement. Furthermore, if we see the effective rate of tax under VAT regime, it sums up to around 20.5% which will come down to 18%.

Impact on Restaurant Business Owners

Particulars	Billing Under VAT Regime	Billing Under GST Regine
Total Bill	5000	5000
Output Tax		
-VAT @14.5%	725	
-Service Tax @6%	300	
GST @5%		250
Total output tax liability	1025	250
Input Credit		
-VAT ITC (no ITC on ST)	75	
-GST ITC		-
Final Output tax liability		
-VAT	600	
-Service Tax	250	
-GST		300

Now in the above example, the total amount payable to the tax authorities under the current regime sums up to Rs.950. However, under GST, net outflow from the pocket will be Rs.250, thanks to the reduced rates, thus his working capital will be enhanced.

Thus, we can fairly conclude that GST will bring reasons to rejoice for both consumers and restaurant owners under the new regime and we will have more reason to explore the new food joints in our neighbourhood and pamper our taste buds.

Anshul Jain

Research Analyst

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Stocks To Watch

1. Hindustan Oil Exploration Co. Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Exploration & Production	Rs. 167	Existing investors can hold and new investors can buy the stock and add on the dips to Rs 152-156	Rs. 194	Rs. 214	2 Quarters

Shree Varahi Scrip Code	HINDOILEXP
BSE Code	500186
NSE Code	HINDOILEXP
Bloomberg	HOE IN
CMP July 28, 2022	167
Equity Capital (Rs Cr)	130.5
Face Value (Rs)	10.0
Eq. Share O/S (cr)	13.1
Market Cap (Rs cr)	2179.2
Book Value (Rs)	57.7
Avg.52 Wk Volume	1158485
52 Week High (Rs)	245.2
52 Week Low (Rs)	115.7

Share Holding Pattern % (June 2022)	
Promoters	0.0
Institutions	3.9
Non Institutions	96.1
Total	100.0

Our Take…

We had issued initiating coverage report on Jan 28, 2022 and recommended Buy between Rs. 208-212 & add more on dips to Rs 174-178 for the base case fair value of Rs 238 and for the bull case fair value of Rs 274 over the next two quarters (Link). The time frame for the report ends on July 28, 2022.

There has been an improvement in the business fundamentals and the company updated key operational development regarding the B-80 project over the period. Due to some technical hurdle at D-1 well in B-80 block, the stock has underperformed. However, HOEC portfolio comprises 10 Oil & Gas blocks of Discovered Resources and 1 exploratory block, all of which have resources with some upside potential. Over the next two years, the company expects significant ramp up in volumes which would ensure growth visibility going ahead on account of rising production in B-80 and premium in the North-east gas of $1 to $6.1 per mmbtu.

HOEC is focused on for resolving the technical issue at D-1 well in B-80 project as soon as possible. We expect that the company will come out with efficient production and better capacity utilization in the next 2-3 quarters. Besides, the company will not see any major impact on its performance due to recently levied windfall tax, as company is not majorly engaged in extraction of crude oil. We have reduced our estimates due to delay in B-80 project (D1).

Going ahead, we think existing investors can hold and new investors can buy the stock and add on the dips to Rs 152-156 for the base case fair value of Rs. 194 and bull case fair value of Rs. 214 over the next two quarters. However, risk averse investors can exit the stock as the time frame has expired. We give here below the key updates post our initiation of the report and have revised earnings estimates. While the earnings have got postponed the growth in FY24E onwards could be faster and the DCF value will be maintained as the delay in production will get offset by higher price realisation and higher volumes.

Q4FY22, Result Update…

HOEC reported 46% YoY growth in consolidated revenue to Rs 42 crore led by increase in sales price of gas in Assam and higher realization due to increase in oil prices. EBITDA increased by 79% YoY to Rs 20.9 crore in Q4FY22 and was down by 8.1% QoQ. EBITDA margin ramped up to 49.5% in Q4FY22 and 40.5% in Q4FY21. It was 51.7% in Q3FY22.

HOEC reported net loss of Rs 27 crore, impacted by exceptional items, the company had reported net profit at Rs 21 crore in Q4FY21 and Rs 19 crore in Q3FY22. Adjusted net profit was almost flat at Rs 7 crore in Q4FY22.The company had paid Rs 27.9 crore related to settlement with the Government of India on royalty issue to secure 10 years extension of the block PY-1. HOEC and GOI had a dispute on computation of royalty payable under the PSC, since commencement of production from 2009 onwards.

Financial Summary…

Particulars (Rs Cr)	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ-%	FY20	FY21	FY22P	FY23E	FY24E
Total Operating Income	42	29	46.4	30	38.5	202	114	156	528	718
EBITDA	21	12	79.1	16	30.9	125	54	79	253	349
Depreciation	11	6	94.1	5	123.5	29	23	26	44	50
Other Income	1	1	65.7	2	-18.4	22	11	11	13	15
Interest Cost	4	1	194.8	2	176.9	6	6	9	16	13
Tax	0	-1	-164.3	0	90.5	0	-2	0	31	46
RPAT	-27	21	-228.3	12	-336.2	111	39	54	177	259
APAT	7	7	-0.8	19	-62.6	138	53	20	179	261
Diluted EPS (Rs)	0.5	0.6	-0.8	1.5	-62.6	8.5	3.0	4.2	13.5	19.8
RoE-%						22.6	7.6	2.7	21.3	24.7
P/E (X)						19.6	55.3	40.1	12.3	8.4
EV/EBITDA (X)						16.3	42.8	31.3	9.5	6.5

Change In Estimates

Rs in Cr	FY23E		FY24E	
	Old	New	Old	New
Revenue	722	528	975	718
EBITDA	346	253	474	349
APAT	260	179	370	261
EPS	20.0	13.5	28.4	19.8

2. Ujjivan Financial Services Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Base Case Fair Value	Time Horizon
MFI	Rs. 172.4	Buy between Rs.175-170 & add more on dips to Rs.145	Rs. 195	Rs. 215	2-3 Quarters

Shree Varahi Scrip Code	UJJIVAN
BSE Code	539874
NSE Code	UJJIVAN
Bloomberg	UJJIVANS IN
CMP July 27, 2022	172.4
Equity Capital (Rs Cr)	122
Face Value (Rs)	10
Equity Share O/S (Cr)	12.2
Market Cap (Rs Cr)	2098
Book Value (Rs)	185
Avg. 52 Wk Volumes (mn) 52	201150
52 Week High	243.4
52 Week Low	96.2

Share Holding Pattern % (June, 2022)	
Promoters	-
Institutions	41.38
Non Institutions	58.62
Total	100.0

Our Take…

Ujjivan Financial Services Limited (UFSL) is a core holding company of Ujjivan Small Finance Bank Limited (Ujjivan SFB) (holds 83.32% stake). As a part of the banking license requirement, UFSL has floated its wholly owned subsidiary which had commenced its banking operations from February 1, 2017. Ujjivan SFB is a mass market focused bank in India, catering to financially unserved and underserved segments and committed to building financial inclusion in the country. We feel that the holding company discount will gradually narrow as the time passes because the company has already announced that it wants to reverse merge itself with Ujjivan SFB. Ujjivan SFB is looking to raise Rs.600 Cr of fresh capital from institutional investors to comply with the minimum public shareholding norms, post which the bank will approach the regulators for the merger scheme.

Due to covid led weak economic scenario had impacted the Micro Finance Industry (MFI). Ujjivan SFB's performance also deteriorated. There was sharp spike in NPAs and due to higher provisions it had reported loss of Rs.415 Cr in FY22. However, we feel that the worst is over and situation has already started to improve; with the economy picking up again and the rural demand on the rise, the growth outlook looks positive for the short to medium term. RBI in March 2022 issued new directions for microfinance lending and has eased of microfinance regulations. For the long term also we feel that the opportunity is huge as penetration in Indian market is still low.

Valuations…

At standalone level, the income streams of UFSL include dividend income from investments held in its subsidiary, UFSB and interest earned on fixed deposits invested with various banks. For the purpose of analysis at the consolidated level, we have done financial analysis of Ujjivan SFB and added investment value to arrive at the fair value for UFSL.

Numbers reported over the past 2-3 quarters shows that there has been significant improvement in terms of asset quality and business growth in Ujjivan SFB. According to the management, the 100 days plan that they laid down in Q3FY22, seems to have rolled out successfully. Further, they have guided for improvement in the business as the MFI sector scenario seems optimistic. Now that the significant asset quality improvement efforts have been fructified, management has shifted focus on growth. They aspire to achieve ~30% loan book growth in FY23 and even stronger deposit growth. We have envisaged 22% CAGR in NII and 7% in operating profit over FY22P- 24E, while the loan book is estimated to grow at 25% CAGR over same time frame. As the collection efficiencies have improved and economic activities have picked momentum, the asset quality has improved and the management has guided that credit cost could be sub 1% in FY23. ROAA is estimated to improve to 1.5% by FY24E. Ujjivan SFB is available at 1.1 FY24E ABV. Looking at the growth opportunities we feel that the stock is trading at attractive valuations and UFSB- a holding company (83.32% stake in Ujjivan SFB), which is trading at significant discount (Market Cap basis) looks like a candidate for re-rating.

Financial Summary...

Particulars (Rs Cr)	Q1FY23	Q1FY22	YoY-%	Q4FY22	QoQ-%	FY20	FY21	FY22P	FY23E	FY24E
NII	599.0	384.4	55.8	544.0	10.1	1633.6	1728.6	1773.6	2045.2	2619.1
PPP	270.0	160.9	67.8	217.2	24.3	637.2	800.8	590.5	677.4	981.6
PAT	203.0	-233.5	LP	126.5	60.4	349.9	8.3	-414.6	318.4	476.3
EPS (Rs)						1.8	0.0	-2.1	1.7	2.5
ABV						16.4	14.5	14.0	15.7	18.2
P/E (x)						10.6	446.1	-8.9	11.6	7.8
P/ABV (x)						1.2	1.3	1.4	1.2	1.1
RoAA (%)						2.2	0.0	-1.9	1.2	1.5
RoAE (%)						14.0	0.3	-13.8	10.7	14.2

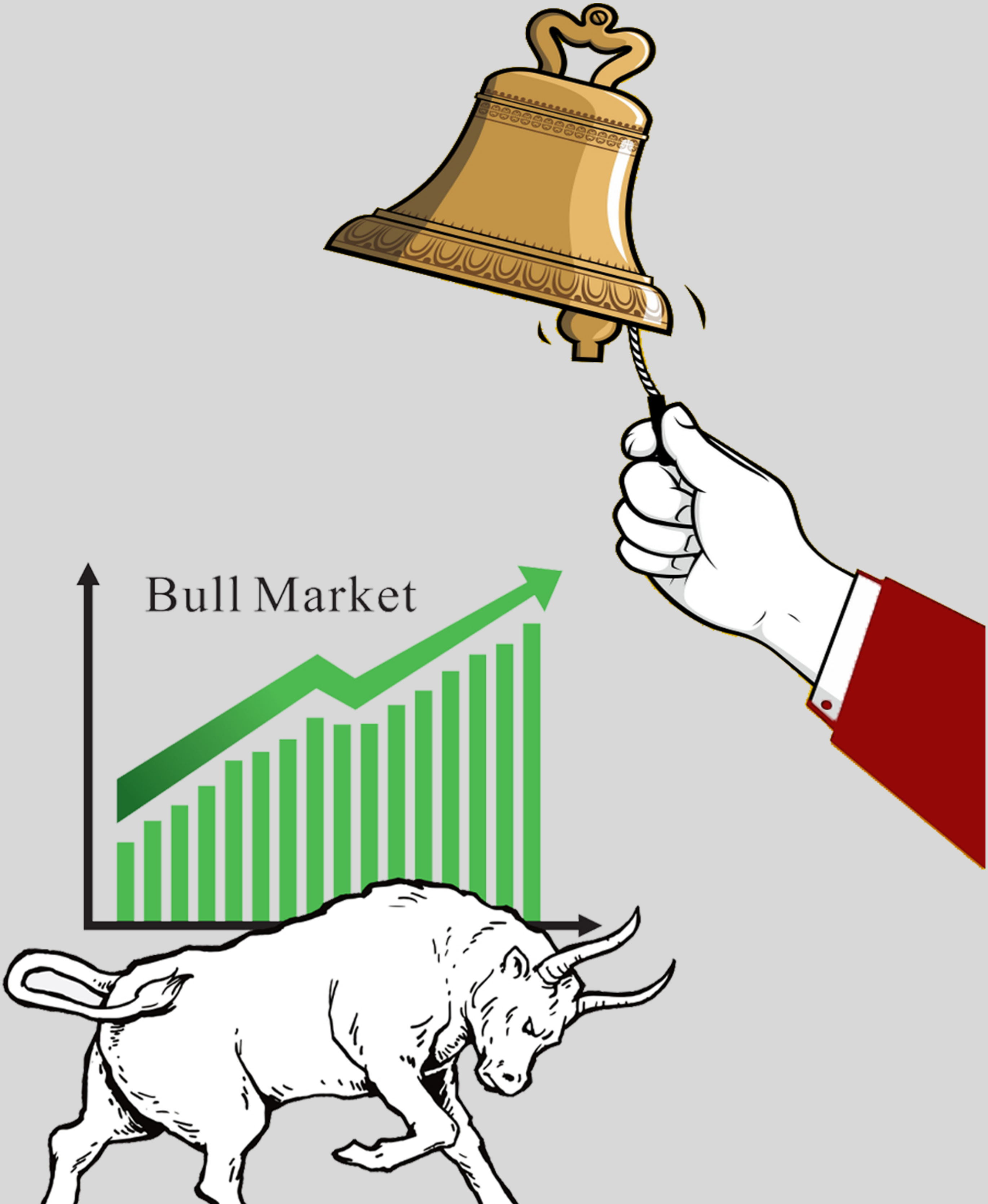
Income Statement...

(Rs Cr)	FY20	FY21	FY22P	FY23E	FY24E
Interest Income	2704	2806	2813	3321	4198
Interest Expenses	1070	1078	1039	1276	1579
Net Interest Income	**1634**	**1729**	**1774**	**2045**	**2619**
Non – Interest Income	322	302	313	353	394
Total Income	**1956**	**2031**	**2087**	**2398**	**3013**
Operating Expenses	1319	1230	1496	1720	2032
PPP	637	801	590	677	982
Prov & Cont	171	791	1141	342	394
Profit Before Tax	466	10	-550	335	588
Tax	116	2	-136	17	112
PAT	**350**	**8**	**-415**	**318**	**476**

Balance Sheet…

(Rs Cr)	FY20	FY21	FY22P	FY23E	FY24E
Share Capital	1928	1928	1928	1928	1928
Reserves & Surplus	1260	1290	874	1193	1669
Shareholders' Funds	**3188**	**3219**	**2803**	**3121**	**3597**
Deposits	10780	13136	18293	22470	27402
Borrowings	3953	3247	1764	1602	1842
Other Liab & Provisions	500	779	746	828	927
Source of Funds	**18421**	**20380**	**23605**	**28020**	**33769**
Cash & Bank Balance	1343	2578	2168	2078	2656
Investment	2396	2516	4153	4257	4363
Advances	14044	14494	16303	20803	25587
Fixed Assets	300	281	249	258	267
Other Assets	338	512	732	624	896
TOTAL ASSETS	**18421**	**20380**	**23606**	**28020**	**33769**

This Might Impact Your Investments !!



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Sensex, Nifty surge 9% in a month. Will the up move sustain in August?

It has been a good run for the markets since the past few days with the S&P BSE Sensex and the Nifty50 rising over 9 per cent each in the last one month. Gains in the mid-and small-caps have been sharper with both these indexes surging around 12 per cent and 10 per cent during this period.

But, will the rally seen in the past one month sustain, or is this a short-term bounce that will eventually get sold into?

The 9 per cent rally in the frontline indexes in the last one month, is in sync with the 9 per cent rally in the S&P 500 index. The pullback in US and other developed markets, they believe, was led by the strong employment numbers and resilience of the US economy, triggering hopes that the US might succeed in avoiding a recession; or if the recession happens, it would be a mild one.

The big positive for the Indian market amid the current move, according to Dr. V K Vijayakumar, chief investment strategist at Geojit Financial Services, is that the foreign portfolio investors (FPIs) turned net buyers in July after nine months of relentless selling.

"The sharp decline in the dollar index from above 109 to below 106 indicates that the flight to the safety of the dollar is over for now. Nifty valuations are again moving to the higher side. Investors have to exercise caution. After the expected run up in financials, now, capital goods, autos - particularly passenger vehicles and the commercial vehicle segments - and select pharmaceuticals look interesting. High quality financials will continue to be resilient."

Also aiding the sentiment back home is the 7 per cent fall in crude oil prices in the past one week – from around $110 a barrel for Brent to around $102 a barrel now. This will help tame inflation that has been trending above the Reserve Bank of India's (RBI's) comfort zone.

Any possible steep fall in oil prices below $100 a barrel can take care of global inflation problems to a large extent, which can see global equities recover further. India would be a major gainer of any possible mild recession across the world as oil prices can fall steep in such a possible scenario.

"US Fed balance-sheet reduction plan and oil price would remain as the key risk factors in the short-term. We believe that the domestic markets may rise further for a couple of weeks amid volatility and intermittent corrections," Chokkalingam adds.

Technical chartists, too, see some more upside for the markets from the current levels with the Nifty50 index crossing the 17,000 mark with conviction last week. However, there could be some nervousness ahead of the RBI's monetary policy meet outcome on Friday, August 5.

"This level coincides with the 200-simple moving average (SMA) and hence should be considered a key development from a technical point of view. We may see some consolidation going ahead, but the market's undertone would continue to remain strong. For the current week, 17380 followed by 17450 are the immediate levels to watch out for as regards Nifty50 index."

PM Modi launches India's first international bullion exchange in Gujarat

Prime Minister Narendra Modi on Friday launch 'India International Bullion Exchange (IIBX)', the country's first international bullion exchange near Gandhinagar. He visited India's first International Financial Services Centre (IFSC) at the Gujarat International Finance Tec-City (GIFT City) on Friday.

This exchange will facilitate efficient price discovery with the assurance of responsible sourcing and quality, apart from giving impetus to the financialisation of gold in India.

The prime minister also laid the foundation stone for the headquarters building of the International Financial Services Centres Authority.

Apart from that, Modi launcedh NSE IFSC-SGX Connect platform. Under this system, all orders on Nifty derivatives placed by members of Singapore Exchange Limited (SGX) will be routed to and matched on the NSE-IFSC order matching and trading platform.

The Connect platform will deepen liquidity in derivative markets at GIFT-IFSC.
"International Financial Services Centres Authority (IFSCA) will become an enabler, it will support innovation and also become a catalyst for growth opportunities. In 2008 there was a global economic crisis and recession. There was an atmosphere of policy paralysis in India. But, at that time Gujarat was taking new and big steps in the field of fintech. I'm glad that idea has progressed so far today

"India is now standing in line with countries like USA, UK and Singapore from where global finance is given direction. Today India is one of the largest economies in the world. Today a record foreign investment is coming to India," said PM Modi at the launch.

Gujarat Chief Minister Bhupendra Patel, Union Minister of Home Affairs and Co-operation Amit Shah, Union Minister of Finance and Corporate Affairs Nirmala Sitharaman, Union Ministers of State for Finance Pankaj Chaudhary and Bhagwat Kishanrao Karad were also present at the events.

"Gujarat contributes more than 8% to the country's economy. Gujarat has become a diamond, manufacturing and ceramic hub. Now we're moving towards making it a financial services hub," said Gujarat CM.

Zomato preview: Experts expect Q1 loss to narrow; revenue may rise 59% YoY

Zomato Q1FY23 preview: Online food delivery giant Zomato is expected to clock revenue growth up to 59 per cent year-on-year (YoY) to Rs 1,342 crore in June quarter results (Q1FY23), on the back of higher orders and take rates. The food delivery platform is slated to report their June quarter results on Monday, August 1.

Analysts expect the Gurgaon-based firm's net loss to contract to Rs 315 crore in Q1FY23 from Rs 360.7 crore in the year-ago period. The company's Ebitda loss is expected to widen 6.9 per cent YoY to Rs 402 crore from Rs 376.5 crore in Q1FY22. However, sequentially, steady orders and higher revenue mix is expected to drive reduction in Ebitda loss from Rs 449.7 crore in Q4FY22.

So far in this calendar year, shares of Zomato have tumbled 66 per cent. In comparison, Nifty50 and the S&P BSE Sensex have bled 1 per cent each during the same period.

Factors to watch out

Investors will closely monitor the management's commentary on Zomato's Blinkit acquisition and their granularity of integration, growth in gross order value (GOV), margin contribution trajectory, fixed costs roadmap, and commentary on competitive intensity

Here's a breakdown of what top brokerage houses estimate from Zomato's Q1FY23 numbers:

JPMorgan: The brokerage firm forecasts the food delivery platform to clock 59 per cent YoY revenue growth to Rs 1,342 crore in Q1FY23. Ebitda loss, too, is estimated to widen 28 per cent YoY and 7.1 per cent QoQ to Rs 481 crore.

Net loss, however, is expected to contract to Rs 319 crore.

Kotak Institutional Research: The brokerage firm anticipates net sales to grow 58.1 per cent YoY to Rs 1,335 crore in Q1FY23 from Rs 844.4 crore in the year-ago period. On a quarter-on-quarter (QoQ) basis, the food delivery platform is expected to clock a 10.2 per cent rise from Rs 1,211 crore in Q4FY22, on account of higher food delivery orders, steady take rates, and recovery in advertising business.

Net loss, meanwhile, is expected to contract to Rs 315 crore in Q1FY23.

Edelweiss Securities: Analysts estimate 8.5 per cent QoQ and 56 per cent YoY revenue growth to Rs 1,211 crore on the back of 6.2 per cent QoQ growth in GOV. On the back of lower variable costs, flat average order value, and addition in monthly transacting users, the brokerage firm expects contribution margin as part of GOV to expand to 2.2 per cent in Q1FY23 from 1.7 per cent in Q4FY22. Ebitda loss is expected to widen 7 per cent YoY to Rs 410 crore in Q1FY23 from Rs 376 crore.

B&K Securities: Analysts foresee growth in revenues by 57.1 per cent YoY to Rs 1,326 crore. With the rise in delivery fees, the brokerage firm expects adjusted PAT to remain at Rs 294 crore. Ebitda margin, meanwhile, is expected to dilute to -38.4 per cent in Q1FY23 from -44.6 per cent in the year ago period.

SBI Life Insurance rallies 9.5%, hits new 52-week high on strong Q1 results

Shares of SBI Life Insurance Company rallied 9.6 per cent to Rs 1,304.45 on the BSE in Friday's intra-day trade, thus hitting a new 52-week high. The insurer, on Thursday, reported 18 per cent year-on-year (YoY) growth in its net profit at Rs 263 crore in the April–June quarter (first quarter, or Q1) of 2022-23 (FY23), aided by a healthy jump in gross written premium. In the corresponding period a year ago, the company's net profit was to the tune of Rs 223 crore.

At 10:49 AM, the stock traded 9.1 per cent higher at Rs 1,298, as compared to 0.8 per cent rise in the S&P BSE Sensex. The previous 52-week high for the stock stood at Rs 1,293, registered on January 7, 2022.

On a sequential basis, however, net profit was down almost 60 per cent. Its gross written premium - the sum of new business premium and renewal premium - was up 35 per cent YoY to Rs 11,350 crore in Q1FY23.

The annualised premium equivalent (APE) was up 80 per cent YoY to Rs 2,900 crore. APE is the sum of the total value of regular - or recurring - premiums plus 10 per cent of any new single premiums written for the financial year.

The value of new business (VNB) - the present value of the future earnings from policies issued during a period - of the insurer rose 130 per cent to Rs 880 crore in Q1FY23, compared with Rs 380 crore in the corresponding period. Its VNB margins - a measure of profitability of life insurers - stood at 30.4 per cent, against 23.7 per cent in the year-ago period.

"The notable improvement in VNB margin was primarily driven by a shift in underlying product mix with a larger share of high-margin products such as non-par savings and protection. Together, they constituted 39 per cent of APE in 1QFY23 v/s 20 per cent, a year ago. Retail protection APE growth of 54 per cent YoY to Rs 200 crore is commendable, considering the muted performance of private peers."

SBI Life displayed a strong show in 1QFY23 with 80 per cent YoY growth in APE along with a sharp jump of 132 per cent YoY in VNB. VNB margin spiked ~665bp YoY fueled by a shift in underlying product mix in favor of high-margin products such as Non-PAR and Protection. Despite volatility in capital markets, ULIPs grew 33 per cent YoY. All distribution channels contributed to the growth along with a rise in productivity of banca and agency channels. This led to a better cost ratio and SBI Life continues to maintain cost leadership. Persistency improved across all key cohorts, the brokerage firm added.

Key technical indicators for rookie traders

Price is the most significant indicator of any trend. It can determine the course without any assistance from volume or other technical indicators. Price can be analysed using several instruments.

Moving averages help in understanding the price trend; Bollinger Band defines the standard anticipated price deviation; Fibonacci Retracements helps in recognizing support and resistance levels; Candlestick patterns can help you preempt a bullish and bearish bias.

Volume plays a key role in visualising the interest of market participants. One can determine significance of a swing trade on the basis of the volume.

A robust surge in volume on a breakout clearly implies the possibility of a strong upside. Further, follow-up buying implies higher conviction thus increasing the possibility of achieving target and preventing losses.

And the last one is momentum oscillators. A rising stock may not necessarily always mean a firm upside. Hence, to gauge the outlook more precisely one needs to asses these select momentum oscillators.

The RSI helps in understanding the strength with overbought and oversold conditions as the extreme. Similarly, the MACD helps in identifying the direction, momentum and likely duration of the trend.

The simplest way to interpret a stock is to plot all these three indicators with standard parameters. The combination of these should provide a concise outlook on the stock. One may not be able to take a firm call, but should be able to identify the current movement.

Analysts expect FII flows to Indian equities to pick up in H2

The worst may soon be over for foreign flows into domestic equities, observe analysts. They expect foreign investors to return to emerging markets, including India, as global central banks — especially the US Federal Reserve (Fed) — become less aggressive in hiking rates to rein in runaway inflation.

“Fed Chair Jerome Powell wants to slow down at some point after a 75-basis point (bp) hike on Wednesday. The Federal Open Market Committee may be thinking of a 50-bp (hike) in September, followed by 25 bps in the remaining two meetings,” wrote Philip Marey, senior US strategist at Rabobank International, in a recent note.

However, analysts caution against intermittent phases of withdrawals by foreign institutional investors (FIIs), given the macroeconomic developments across major world economies.

“We don’t believe the recent buying is driven by corporate results or valuation of Indian markets, but by events in the US. The narrative there is changing from inflation expectations to one of recession, which is driving hopes that the rate hike by the Fed and liquidity cuts will moderate. This will help US equities recover and aid recovery in Indian markets. If those happen, we can safely say the worst (in terms of market fall and FII sell-off) is behind us,” says Anil Sarin, chief investment officer, Centrum Portfolio Management Services.

After pulling out over $30 billion from Indian equity markets since October 2021, with geopolitical risks occupying centre stage amid rising commodity prices, fuelling inflation concerns, and ensuing tightening monetary policies of global central banks, the pace of FII outflow from Indian equity markets hobbled in July, as opposed to the previous months.

Meanwhile, markets here have seen a sharp drop, with the S&P BSE Sensex and the Nifty50 skidding 7 per cent each from their respective high levels logged in October 2021. The pain across most global indices has been acute, with the S&P 500 slipping into bear phase, with a fall of over 20 per cent during this period.

Recent relentless selling by foreign investors, according to analysts at Credit Suisse Wealth Management, has pushed foreign ownership of Indian stocks to a nine-year low of 19.4 per cent — below the 10-year average of 20.2 per cent.

According to Morgan Stanley, the biggest foreign portfolio investor (FPI) selling has happened in the technology sector. FPIs have gone underweight in the recently concluded quarter. They are also underweight on consumer discretionary and industrial, it says.

Mutual funds (MFs), on the other hand, have remained net-buyers of Indian equities for 16 consecutive months. As a result, MF ownership has reached a record high of 8.3 per cent and is significantly above the 10-year average of 5.7 per cent, suggest reports.

"The softening of the dollar index in the near term and the expectation of the Indian rupee to remain around or below the 80-mark vis-à-vis the US dollar will add to the positive sentiment. With global inflation progressively declining and central banks' aggression on interest rate hikes abating, we anticipate FII inflows to gather steam over the next two quarters."

IDFC First Bank zooms 10% on reporting highest-ever profit

IDFC First Bank zoomed 10 per cent to a high of Rs 41.30 in intra-day trades on Monday after the private sector bank reported a strong set of earnings in Q1FY23.

For the quarter ended June 2022, the bank recorded its highest-ever standalone profit at Rs 474.33 crore as against a net loss of Rs 630 crore in corresponding quarter a year ago. Net interest income grew by 26 per cent to Rs 2,751.1 crore YoY, with 39 bps YoY improvement in net interest margin at 5.89 percent.

At 10:20 AM, the stock quoted 9.2 per cent higher at Rs 41 with heavy volumes of around 66.09 lakh shares on the BSE as against its two-week daily average volumes of around 19.10 lakh shares. Meanwhile, the S&P BSE Sensex was up 0.6 per cent at 57,933, and the BSE Bankex advanced 0.3 per cent.

The stock has soared nearly 43 per cent in the last seven trading weeks from a low of Rs 28.95. In July alone, the stock gained 19.4 per cent, out-performing the BSE benchmark with a wide margin, which was up 8.6 per cent.

Further, the bank reported 21 per cent YoY surge in deposits at Rs 1,02,868 crore in the quarter under review.

The asset quality at the bank level, both GNPA and NNPA, too improved by 125 bps and 102 bps at 3.36 per cent 1.30 per cent, respectively, on a YoY basis.

According to a release issued by IDFC First Bank, the speaker of the bank said, "We have built a strong foundation for the bank, on the basis of which we can grow the loan book, deposits and profits comfortably from here on in a steady manner.

We have posted the highest-ever profit after tax of Rs 474 crore in Q1FY23. Our return on assets has nearly touched 1 per cent and we expect it to rise from here. We are happy that even post the pandemic, our retail Gross NPA and Net NPA has reverted to 2.1 per cent and 0.9 per cent, respectively which is our long-term experience. More importantly, the retail asset quality has normalized sooner than our earlier guidance of March 2023.

Gold jewellery demand in India likely to dip in H2: World Gold Council

After rising 49 per cent year-on-year (YoY) in the quarter ended June 2022 to 140.3 tonnes, the demand for gold jewellery in India is likely to dip in the remaining part of the calendar year 2022, said the latest report by World Gold Council.

"Akshaya Tritiya coupled with traditional wedding buying spurred jewellery demand, though on a low base as the June quarter of 2021 was impacted by a devastating second wave of Covid. Total jewellery demand for the first half of 2022 (H1-2022) reached 234 tonnes, which is 6 per cent higher YoY," said Somasundaram PR, Regional CEO, India, World Gold Council.

Uncertainty over the economic outlook, a higher import duty and the possibility of additional curbs on gold buying, even if for temporary and tactical reasons with an eye on rupee-dollar exchange rate are some of the reasons, WGC believes, that will keep jewellery demand in India in check.

"The upside potential for demand can come from expectations of a normal monsoon, higher inflation and the possibility for range-bound prices," Somasundaram added.

Meanwhile, overall demand for gold in India in the June 2022 quarter stood at 170.7 tonnes, a YoY increase of 43 per cent. In value terms, gold demand in the recently concluded quarter came in at Rs 65,140 crore, a rise of 60 per cent compared to Rs 40,610 crore recorded in Q2-2021.

"Total jewellery demand for H1-2022 in India hit 234 tonnes, which 6 per cent higher y-o-y. Gold investment i.e., bar, and coin demand in the June 2022 quarter was at 30 tonnes – 20 per cent higher y-o-y, whereas H1-2022 demand of 72 tonnes was 11 per cent stronger y-o-y. Gold demand during this period drew support from volatility in equity markets and inflation expectations."

Gold prices, meanwhile, averaged $1,871 per ounce (oz) in the June 2022 quarter, up 3 per cent YoY but down 6 per cent quarter-on-quarter QoQ, pressured by rising interest rates and the rocketing value of the US dollar.

At the global level, the demand for gold (excluding OTC) was 8 per cent lower y-o-y at 948 tonnes. Combined with Q1-2022, the total demand in the first half of 2022 came in at 2,189t, up 12 per cent y-o-y.

Global gold market in H1-2022, according to Louise Street, Senior Analyst EMEA at WGC, was supported by macroeconomic factors such as rampant inflation and geopolitical uncertainty, but it also faced headwinds from rising interest rates coupled with an almost unprecedented surge in the value of the US dollar.

"Looking ahead, we see both threats and opportunities for gold. Safe-haven demand will likely continue to support gold investment, but further monetary tightening and continued dollar strength may pose headwinds. As many countries face economic weakness and the cost-of-living crisis continues to squeeze spending, consumer driven demand will likely soften, although there should be pockets of strength."

Sebi penalises eight individuals for violation of insider trading norms

Capital markets regulator Sebi on Wednesday imposed fines totalling Rs 8 lakh on eight individuals for violation of insider trading norms in the shares of Titan Company Ltd.

The transactions were carried out between April 2018 and March 2019 when they were designated employees of Titan Company.

The regulator levied a fine of Rs 1 lakh each on Raghuraman Rangharajan, Ajay Singh, R Saravanan, Nagaraja Ravichandran, Shyamsunder Rambhau Bedre, Krishan Sharma, Subramaniankannan and Y S Manjunath, according to eight separate orders.

The order came after Sebi received a letter from Titan Company Ltd (TCL), wherein the company intimated the regulator about alleged violations of Prohibition of Insider Trading (PIT) and company's code of conduct by some of its designated persons/employees.

Thereafter, the market regulator conducted an investigation in the scrip of TCL and found non-compliances of PIT rules by the individuals during the April 2018-March 2019 period.

During their employment with TCL, they had transacted in the securities of the company but failed to make disclosures to the firm as required under the PIT norms, as per the Securities and Exchange Board of India (Sebi).

The disclosure was mandatory as the transactions exceeded the market value of Rs 10 lakh.

In a separate order, the market regulator slapped fines totalling Rs 20 lakh on four entities for indulging in fraudulent practices in the preferential allotment of Esaar India Ltd shares.

The regulator imposed a fine of Rs 5 lakh each on Giriraj Kishore Agarwal, Tanu Agarwal, Saloni Agarwal and Tilak Finance Ltd.

Explained: How 2% MDR on RuPay-UPI may affect credit card industry

The proposed 2 per cent merchant discount rate (MDR) on credit card transactions on the RuPay-Unified Payments Interface (UPI), if implemented, may boost credit card spends and the average customer balance, observes global brokerage firm Macquarie.

"There are roughly 50 million merchants accepting UPI payments, compared to 6 million card point-of-sale (PoS) machines in India. Hence, expanding use-cases bodes well for credit card spend and the average customer balance."

The observation comes after Business Standard reported that the National Payments Corporation of India (NPCI) and banks have suggested levying an MDR of 2 per cent. It is the charge paid by merchants to the card-issuing bank for card transactions.

At outlets with an annual turnover of up to Rs 20 lakh, these transactions will be free, with the ticket size at Rs 2,000-5,000 and no limits imposed on the number of daily transactions.

The NPCI's proposal for an MDR cap needs to be approved by the Reserve Bank of India (RBI).

Macquarie said the penetration of card PoS machines is acutely low in the case of merchants with turnover less than Rs 20 lakh. Such a move could expand the market for credit cards in a big way.

The capping of MDR at a lower rate on RuPay-UPI credit cards, especially for lower ticket-sized transactions, could potentially allow credit cards to be accepted by nearly 30 million merchants, as opposed to 3-4 million at present, thus improving their market depth.

Tthe proposal, if accepted by the RBI, may gradually shift merchants to RuPay-UPI based payment mechanism over the medium-term."Over the longer term, MDR rates may come down. While this may shrink the earnings of credit card players, we need to see if the impact will be offset by a growing number of card users," he says.

India had 75 million credit cards and 921 million debit cards as of April, according to the NPCI and RBI data.

RuPay cards formed 24 per cent of total (credit and debit combined) card transactions in India in 2021-22 (FY22), or 14 per cent of transaction value.

According to Goldman Sachs, every 5 per cent of incremental credit card transaction volume due to UPI integration will equate to $38 billion in additional annual credit card volumes, or $760 million in additional MDR pool (if MDR is in line with the current credit card MDR). However, MDR could potentially come under pressure if the rate of adoption sees a material increase due to UPI, it said.

Alleviating industry concerns

Macquarie says that the NPCI's current proposal of 2 per cent MDR for merchants with turnover over Rs 20 lakh (which will be the dominant portion of card-accepting merchants) should ease fears of cannibalising the existing MDR pool for card issuers to a large extent. Moreover, the move also lowers the probability of stringent MDR caps coming through on existing credit cards (from the RBI's discussion paper), it says.

Key beneficiaries

Goldman Sachs expects SBI Cards to benefit if parent State Bank of India starts rolling out RuPay-UPI cards to its own customer base.

Paytm, on the other hand, will see a positive impact on its payments segment, it said.

“Increased use of credit cards will potentially result in higher MDR revenue, although Paytm Payments Bank as the acquiring bank will likely be the bigger beneficiary, with some revenue share with One97 Communications (49 per cent shareholder),” it said.

ALSO READ: RuPay credit card-UPI linkage to be operational in 2 months, says NPCI CEO
Axis Securities, meanwhile, remains bullish on SBI Card, ICICI Bank, and HDFC Bank on the back of robust customer acquisition, market-share gains, and focus on tier II/III cities by companies.

Goldman Sachs expects person-to-merchant digital payments to grow at 28 per cent FY22 through 2025-26 (FY26) compound annual growth rate (CAGR) to reach $1.2 trillion, with UPI reaching $710 billion (37 per cent FY22-26 CAGR), or 64 per cent of total digital payments in FY26E.

Google gives jittery stocks a lift ahead of Federal Reserve meeting

SINGAPORE (Reuters) - Better-than-expected results at Microsoft and Google helped soothe a nervous mood in stock markets on Wednesday, while a cut in Russian gas flow dragged on the euro and a Federal Reserve meeting due later in the day kept bonds and the dollar on edge.

Nasdaq 100 futures bounced 1.4% and S&P 500 futures were up 0.8% in Asia after Microsoft forecast steep revenue growth and Google parent Alphabet posted strong search engine ad sales.

Alphabet shares rose 5% after hours and Microsoft shares rose 4% to cut through some of the gloom cast over Tuesday by a profit warning at retailer Walmart and some soft U.S economic data.

MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.6% and Japan's Nikkei fell 0.3%.

The Federal Reserve is expected to announce a 75 basis point rate hike at 1800 GMT but investors are wary of a surprise in either direction and have preferred safe assets such as dollars.

"The market is trying to convince itself that peak inflation has happened," which would be a basis for more clarity and confidence about future rates and growth, said ING economist Rob Carnell, but that means a Fed that is staying the course.

"(The Fed) does need to give the sense that fighting inflation is their number one priority, otherwise the sense is that inflation will stay higher for longer," he said.

Australian data sounded something of a warning on Wednesday, with headline consumer prices rising at their fastest pace in two decades.

In the United States a 75 bp hike is fully priced on Wednesday, but futures imply about a 15% chance of a 100 bp hike. The Treasury market is already anticipating that near-term hikes will hurt longer-run growth.

Benchmark 10-year Treasury yields were steady at 2.8068% on Wednesday, below two-year yields at 3.0528%. [US/]

EUROPE, CHINA WOBBLY

On top of worries about interest rates damaging economies, Europe faces an energy crisis and China is beset by restrictive COVID-19 policies and fresh fears of a property market collapse.

The euro had its worst session in a fortnight on Tuesday, sliding 1%, as Russia's Gazprom said it would further cut westbound gas flow and energy prices zoomed higher.

It steadied at $1.0145 in Asia. The Australian dollar was marginally lower at $0.6923. The Japanese yen steadied at 136.96 per dollar.

China's yuan was under pressure and property stocks fell as investors have been spooked that a widening boycott of mortgage repayments on unfinished apartments can ricochet around the development and banking industries.

The onshore CSI real estate index fell 2% and a Hong Kong index of mainland developers fell more than 5%, dragged down by large developer Country Garden announcing a discounted share sale.

"China's housing sector is in the midst of a depression and the recent mortgage boycott is a sign of the severity of the downturn."

"The extent of this boycott, as it is now, is not unmanageable, but there is a risk of escalation."

Europe's soaring gas prices kept oil firm. Brent crude futures were steady at $104.30 a barrel. U.S. crude futures rose 0.1% to $95.14 a barrel.

Gold was steady at $1,717 an ounce.

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