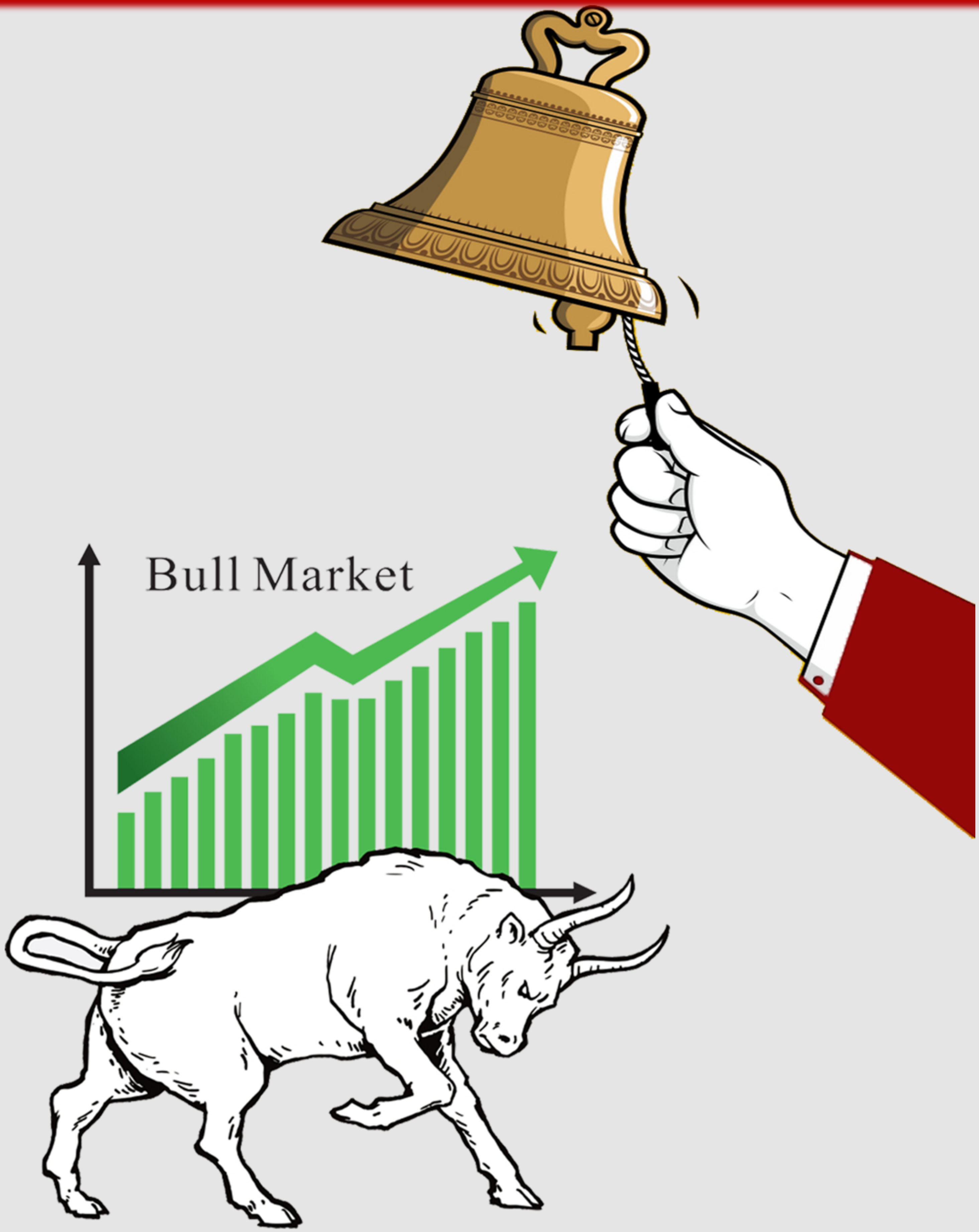
श्री LAKSHMISHREE

Gateway to your Financial Goals

PULLBACK?

This May Impact Your Investments!!



श्री LAKSHMISHREE
Gateway to your Financial Goals

Retreating Inflation A Good Omen For Equity Investors

Inflation in India has been on a downward trajectory for a few months now. The latest inflation prints for October have reaffirmed the trend. CPI inflation came in at a 5-month low of 4.87 percent, and WPI inflation at -0.52 percent continued to be in the negative territory for the seventh month in a row.

Factors driving the pullback

Food inflation, which had been at the core of the spike in inflation seen in July, has mellowed significantly year-on-year. While the prices of vegetables have eased over the same period last year, on a sequential basis, the sharp fall in prices of tomatoes has been countered by an almost equally sharp rise in the prices of onions. This left consumer food inflation at almost the same level as September. Meanwhile, the prices of pulses, eggs, meat, and fruits continued rising in October.

Coming to fuel inflation, crude price has mellowed month over month. Government sops such as the extended subsidies on cooking gas, as well as a freeze on the pump prices of petrol and diesel have also contributed towards cooling inflation. Service inflation too has mellowed. Core inflation, excluding food and fuel, has also fallen from 4.5 percent in September to a multi-year low of 4.2 percent last month.

What can we expect going forward?

Inflation in September-October 2022 was at a peak of around 7 percent. This favourable base effect has helped tame year-on-year inflation in the last couple of months. However, between November 2022 and May 2023, CPI inflation saw a steep fall to 4.3 percent. So, the base effect is going to turn unfavourable in the next few months leading up to the elections in 2024.

At the same time, concerns around food inflation are not behind us yet. Erratic monsoons, below-par Kharif harvest and sowing of Rabi crops are likely to keep cereal inflation elevated.

Of course, government measures as we approach elections, such as restricting exports of supply-constrained food items, subsidies and other sops, and a freeze in pump prices even as geopolitical conflicts keep imported fuel prices volatile, can be expected to help control inflation.

RBI expects retail inflation at 5.6 percent for the ongoing quarter. Given the 4.87 percent inflation in October, November and December will have to clock an average inflation of 6 percent for the quarter's inflation to come in around RBI's expectations.

Despite the unfavourable base effect in the coming few months, RBI's inflation forecast for the quarter is likely to be undershot. Having said that, considering the uncertainty on the macroeconomic and geopolitical front, the RBI is likely to continue its wait-and-watch approach in the December MPC meet.

What does this mean for stock markets?

Setting aside the volatile elements of food and fuel prices, core inflation has been on a downward trajectory. Viewed as an isolated indicator, this suggests a weakening demand environment. However, on the flip side, going by the NIQ numbers for the September quarter, it seems that falling inflation has actually improved the purchasing capacity of consumers. While urban consumption growth has picked up from 8.9 percent in the June quarter to 10.4 percent in the September quarter, the latest quarter also saw signs of green shoots emerging in rural demand and that too, in the discretionary category.

Of course, upbeat consumption in a single quarter cannot be extrapolated into a trend. But the fact that consumption has not faltered even as inflation has mellowed after 250 bps worth of policy-rate hikes in less than a year, definitely lends credence to the RBI's policy prowess. If inflation does not throw any rude surprises, it may allow the RBI to cut rates sooner, maybe even in time for elections. This, along with upbeat sentiment in the festive season and expectations of a government-driven pickup in demand as we approach elections, has led DIIs to continue their long-standing optimism around Indian equities.

Meanwhile, after the soft inflation data posted by the US economy, the US Fed is also likely to leave policy rates unchanged again in the December meet. Some economists expect the US Fed too to cut rates around mid-2024. This has triggered a fall in US treasury yields as well as the US dollar in the last few days. Consequently, FII interest has reawakened in risky assets including Indian equities. FIIs have flipped in the last couple of days to turn net buyers of Indian stocks worth more than Rs 1,500 crore. A similar early sign of a turn in sentiment is also visible in the derivatives segment as week-over-week, FIIs have built on their long positions while gradually unwinding their short positions.

If the economy continues to display resilience and both, US, and Indian central banks slash rates more or less in sync, that would be the best-case scenario for stock markets. While economic resilience would lend fundamental support, liquidity would flow towards Indian equities if a risk-on scenario is sustained by falling US yields and rising spreads against Indian yields. From a technical perspective, Nifty recently tested the previous swing-high around 19,850. If it crosses and sustains above this level, technical indicators will also turn favourable for Indian stock markets.

Coal Still Has A Good Life Ahead

Coal India shares reached a high earlier this week after the second quarter results beat analysts' expectations by a wide margin. This is good but the best part of the story is yet to come. After a stellar rise of 36 per cent in the share price in the last three months, analysts believe there is room for a further substantial rise. This is the result of a combination of both robust volume growth and firm price outlook.

Why is this happening when dirty fossil fuels see a sunset ahead as the entire global policy focus has shifted to raising the output and use of clean and renewable energy so as to ward off climate change? The short answer is that there is still a lot of life (around two decades, according to an expert) left in coal, as energy demand in developing countries grows in leaps and bounds even as their rising renewable energy output is unable to take upon its shoulders the burden of meeting the additional demand.

Hence several Indian states have initiated plans to set up new coal based power capacity. Madhya Pradesh is setting up two supercritical thermal power units of 660 mw each. UP is pursuing plans to set up altogether 6 gw of thermal power capacity. Tamil Nadu, unwilling to be left behind, is working on setting up 4.1 gw of new thermal capacity in the next two years. Gujarat is in the same game by working on setting up new capacity in the 0.5-1 gw range. This adds up to around 12 gw of planned new capacity. The change in thinking and action is best illustrated by Karnataka which after announcing that it was kicking the thermal power addiction is going back to working on its mines in Odisha to fuel new capacity.

India's power demand has reached a new peak of 240 gw this year and is expected to touch 250 gw next year. Three quarters of the present demand is still being met by thermal power and only a quarter by renewable energy. You cannot replace 75 per cent of your installed capacity in a day and hence the perspective of two decades set by the expert.

What is holding up the swift march of renewable energy is that it is not generated round the clock. Solar power is produced only during sunny daylight hours and non-rainy seasons. Wind power is generated only when and wherever there is a good breeze. So the excess power generated during the day for use at night has to be stored in huge battery banks. The cost of setting these up and looking after them is falling as technology progresses but we are not quite there yet.

This leaves us with green hydrogen which is again a technology that is evolving and there is a transmission cost in bringing it from where it is produced through using the electrolysis process powered by green energy to where it can be used. So along with setting up battery banks transmission systems have also to be taken forward.

One line of action being followed is shutting down old power plants using highly polluting technology and setting up a few new plants like super critical ones which are less polluting. Right now the can for coal is being carried most by public sector behemoths like Coal India (it mines the coal), BHEL (it manufactures the power plant equipment) and NTPC (it sets up the plants and runs them). Reflecting the change, just as Coal India is doing well financially, BHEL is seeing ahead of itself a change in outlook from a revival in the order pipeline.

Private sector players, on the other hand, are moving away from coal as quickly as feasible. Tata Power intends to remain focused on renewable energy. JSW Energy has decided not to invest in coal any more. General Electric has a global policy of exiting the coal market. Adani Power is the only major company in the sector which continues to retain a robust interest in coal.

India's coal dilemma is best illustrated by Odisha which has the country's largest coal reserves as also weather unsuitable for generating wind and solar power. Even as it is investing in renewable energy it is also funding new coal mines. In 2021, the state sold its loss making power utility to Tata Power which has in return committed to investing Rs 5,000 crore in transforming the state's power distribution infrastructure and replacing non-functioning power meters. Even as all this is happening, open cast mining goes on unabated in Angul at the centre of the mining landscape. Coal output is rising and will continue to do so for another decade.

India has set a target of creating 500 gw of renewable energy by 2030 and is making large investments to take forward green energy technology and the production of green hydrogen. But according to present reckoning, by then only about half of total power output will be in renewables. This is because power demand is going up by 6 per cent every year, paving the way for more coal to be consumed than currently done even after a decade. India cannot afford to restrict growth because the right type of power is not available.

Look What Our Research Analyst Has To Say...

Retesting the previous top the index gave V shape recovery and has tested the lower high made mid October 2023 which shows the domestic funds and retailers are gushed with liquidity and waiting for the dips to buy. Any dips in the week ahead to 19600 odd levels will be again an opportunity add to longs are create fresh longs who have missed the current V share recovery. Strength was clearly witnessed on the Mid and Small Cap space and we continue to remain bullish on the stocks that are generating alpha against NIFTY.

Supports for the week ahead are placed at 19600 odd levels and rallies will find major resistance at 19850. Any breakout and sustain move above 19850 will lead to test 20050 level on immediate basis. The only risk of failure will emerge if the breakout above 19850 gets failed then in that case we will test 19300 but that looks a far cry as of now considering just the week ahead.

Anshul Jain

Sr. Research Analyst

Wealth Bagger Stock Picks For The Week

Aurobindo Pharma

About The Company

Aurobindo Pharma Ltd (Aurobindo) is a fully integrated pharmaceutical giant, excelling in the production and marketing of generic pharmaceuticals and active pharmaceutical ingredients (APIs). Its extensive product lineup covers a wide spectrum of vital therapeutic categories such as antibiotics, anti-retrovirals, gastrointestinal, central nervous system, cardiovascular, anti-allergy, anti-diabetic, and other key areas. Additionally, the company innovates with proprietary biocatalysts, vitamins, minerals, dietary supplements, sports nutrition, functional foods, weight loss solutions, and fermentation-based semi-synthetic products.

Particulars

Market Cap.	EPS	Net Profit	Promoter Holding	52 Week H / L
₹ 59,025 Cr	₹ 39.7	₹ 2,319 Cr	51.8%	1,015 / 397

Outlook & Valuation

Aurobindo Pharma Limited exhibited an impressive performance in Q2FY2024, surpassing expectations across the board. With a substantial 26% year-on-year increase in total revenue to Rs. 7,150 crore, driven by robust growth in the U.S., Europe, and emerging markets, the company demonstrated strength in multiple key regions. Notably, the 9% growth in U.S. sales at Rs. 3,385 crore was propelled by strong Eugia sales and a stable pricing environment. Achieving an EBITDA margin increase of approximately 490 basis points to around 19.5% showcased adept cost rationalization, resulting in a remarkable 66% year-on-year increase in EBITDA to Rs. 1,388 crore.

Furthermore, an impressive 90% year-on-year rise in adjusted PAT to Rs. 870 crore reflects the company's strong operational performance. With reduced raw material and logistics costs, alongside upcoming launches such as gRevlimid in Q3FY2024 and biosimilars by FY2025, Aurobindo anticipates robust growth prospects. Additionally, plans to introduce 40 new products in the next 12 months signal a focused strategy for sustained expansion and profitability.

JUPITER LIFE LINE HOSPITAL

About The Company

Established in 2007, Jupiter Life Line Hospitals Limited stands as a prominent multi-specialty tertiary and quaternary healthcare provider catering to the Mumbai Metropolitan Area (MMR) and the western region of India. With over 15 years of operation, the company has positioned itself as a leading corporate quaternary care healthcare service provider in Western India. Currently, it manages three hospitals bearing the Jupiter brand situated in Thane, Pune, and Indore, collectively offering a capacity of 1194 beds. As of March 31, 2023, the hospitals boast a team of 1,306 medical professionals, encompassing specialists, physicians, and surgeons, dedicated to providing comprehensive healthcare services.

Particulars

Market Cap.	EPS	Net Profit	Promoter Holding	52 Week H / L
₹ 6,553 Cr	₹ 12.9	₹ 72.9 Cr	40.9%	1,165 / 960

Outlook & Valuation

In the first half of the fiscal year 2024, Jupiter showcased robust revenue growth of 19% year-on-year, accounting for 49% of the full-year estimated revenue. Although the EBITDA margin saw a quarter-on-quarter improvement, resting at 23.2%, it remained slightly lower due to two key factors: the ongoing expansion in Pune and the augmentation of medical staff. Notably, Pune's renegotiated insurance contracts are projected to stimulate high single-digit growth in Average Revenue Per Occupied Bed (ARPOB), contributing approximately 3% to the revenue increment starting from November 2023. Moreover, Indore's successful completion of insurance empanelment foretells an enhancement in both occupancy rates and payor mix in the forthcoming periods.

Jupiter's Thane facility demonstrated robust performance, boasting a 71.7% occupancy rate, with expectations of a gradual increase to mid-70s to 80s occupancy range. The renegotiation of insurance contracts in Pune is anticipated to generate high single-digit ARPOB growth, equating to around 3% additional revenue growth. Additionally, as the construction for the Dombivli hospital commences post excavation, commercial operations are projected to commence by the end of fiscal year 2026. However, initial operational years may witness an overall margin drag, a common scenario during such phases.

THANK YOU

☺

Corporate Member of NSE, BSE, MCX, and Depository Participant with CDSL

CIN No U74110MH2005PLC157942 | BSE-3281| NSE-12817 | MCX-55910 |DP:IN-DP-CDSL-490-2008 | DPID:12059100| SEBI Regn. No.: INZ000170330 | Mutual Fund: ARN-77739

Registered Office:

Unit No 407, IV Floor, Marathon Icon , Ganpat Rao Kadam Marg, Mumbai-400013, Lower Parel

Contact No: (022) 43431818

Corporate Office:

57, 2nd Floor Gandhi Nagar Sigra, Varanasi, UP- 221010

Contact No: (0542) 6600000

Regional Offices:

Kolkata, Ahmedabad, Jaipur, Kanpur, Delhi, Ujjain.

Disclaimer: ANALYST CERTIFICATION I, Mr. Anshul Jain B.com, Research Analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. 'Subscriber' is the one who has subscribed to the Research Reports in various forms including Research Recommendations, Research SMS Alerts/Calls, Fundamental and Technical Research calls, Investment Strategist Magazine, Research/market news etc through Lakshmishree Investment & Securities Private Limited. Subscriber may or may not be client of Lakshmishree Investment & Securities Pvt. Ltd.

Terms & conditions and other disclosures:

Lakshmishree Investment & Securities Pvt. Ltd. (hereinafter referred to as "LISPL ") is engaged in the business of Stock Broking, Depository Participant and distribution for third party financial products. (LISPL) will, at its discretion, provide its company research reports/news, results, and event updates/ sector report/monthly commentary/regular compendium, trading call, technical and derivatives reports (together "the reports") as also market news to subscribers either in the form of a written market commentary or research report sent in e-mail, form, SMS or through postal or courier service. A brief extract of the reports may also be sent, on enrolment, in SMS, e-mail form. This document has been prepared by the Research Division of LISPL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without the prior permission of LISPL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security. The information contained in this report has been obtained from sources that are considered to be reliable. However, LISPL has not independently verified the accuracy or completeness of the same. Neither LISPL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein. Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor. Either LISPL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication. LISPL is registered as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 LISPL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities. LISPL or its research analysts or its associates or his relatives do not have any financial interest in the subject company. LISPL or its research analysts or its associates or his relatives do not have actual / beneficial ownership of one percent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report. LISPL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report. LISPL or its associates might have received compensation from the subject company in the past twelve months. LISPL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months. LISPL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months. LISPL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months. LISPL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report. LISPL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. LISPL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. LISPL or its Research Analysts do not have any material conflict of interest at the time of publication of this report. It is confirmed that Mr. Anshul Jain B.com, Research Analyst of this report has not received any compensation from the companies mentioned in the report in the preceding twelve months Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. The research analysts for this report has not served as an officer, director or employee of the subject company. LISPL or its research analysts have not engaged in market making activity for the subject company Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. LISPL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

ANSHUL JAIN

Digitally signed by
ANSHUL JAIN
Date: 2023.11.18 14:07:55
+05'30'