

V. Jethalal Ramji Share Brokers

... Tracking Market Since 1906



Market Update

Markets Reflect a Mix of Optimism, Caution and Curiosity

Euphoria in the stock market can be gauged easily. It's when your local vendor suggests buying stocks, and the hot topic at family gatherings or functions is the stock market. This phenomenon has been evident since last year, sparking a crucial question: If the markets are in a phase of exhilaration, why haven't we seen a crash? Is this time truly different? In this editorial, I aim to provide a ground-level perspective on the current state of the market. On Dalal Street, three main topics dominate discussions – the state of the equity markets, expectations for the final Union Budget for FY25 and corporate performance.

Interestingly, there's little focus on politics, geopolitics, foreign institutional investors (FIIs), or the US Federal Reserve's policy. The days when FIIs and US Federal Reserve policies were central concerns seem to be behind us. Most market participants appear content with the overall market performance and their personal portfolios. There's a widespread belief that stock prices will continue to rise over the next few years, though some intermittent corrections are expected. Investors are generally ready to invest more in stocks.

The systematic investment plan (SIP) numbers are reaching new heights each month, hitting a new high of Rs 21,260 crore in June. This indicates that Indian investors are resilient and are participating in the long-term growth of the market. Meanwhile, despite leading inflows over the past year, small-cap investments have seen a moderation in investor interest this month. Recent data from the Association of Mutual Funds in India (AMFI) for June shows a notable increase in inflows into large-cap and mid-cap categories over the past two months.

The overall market behaviour, supported by these numbers, suggests that investors are strategically positioning themselves with a cautious yet optimistic approach for long-term growth. Notably, many investors adopt a market capitalisation-agnostic approach to their investment strategies. The growing awareness and interest in SME segment stocks are surprising, with both mutual fund and stock portfolios showing a well-diversified spread across various market capitalisation segments.

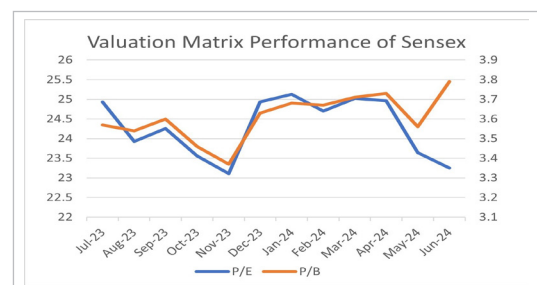
Everyone has a story about multibagger stocks, particularly in sectors like PSU banks, defence, railways and power. Some are proud to have held on to these stocks since their IPOs, while others regret selling them too early or missing the opportunity altogether. These stories underscore the excitement and regret that come with investing in high-performing stocks. However, despite the optimism in equity markets, there's a notable lament about the losses traders are incurring in derivative trading. Few though are willing to admit to engaging in derivatives trading themselves.

A significant number of participants report a noticeable elevation in their lifestyles due to gains from strong market performance. These gains, manifesting as higher fee or brokerage income and capital gains, have led to larger homes and more frequent international vacations. Regarding the Union Budget, no major changes in Income Tax rates or rules are expected. Most anticipate only minor adjustments in standard deductions or tax slabs. Fiscal consolidation and a focus on infrastructure are expected to continue.

While no one spoke confidently about 'coalition dharma' influencing the budget, there's collective curiosity about its potential impact. There's also considerable enthusiasm about railway and defence allocations, driven more by portfolio positioning than by any rational explanation. Market participants and industry insiders are most optimistic about the power, telecom, construction, and healthcare and pharmaceutical sectors. Opinions are divided on the financials, commodities and manufacturing sectors.

Meanwhile, IT services and consumer sectors appear to carry the least expectations. The current discussions on Dalal Street reflect a mix of optimism, caution and curiosity. While the equity markets and personal portfolios have performed well, there's a keen eye on the upcoming Union Budget and corporate performance across various sectors. The stories of multibagger stocks, diversification and the cautious approach towards derivative trading highlight the mature approach shown by the investors, which is overall healthy for the stock market.

July - Sept., 2024



International Markets

Exchange	10/Jul/24	1 Year Change (%)	52-Week L/H
Bovespa	1,27,218.00	8.22	1,11,599 / 134,392
CAC 40	7,573.55	4.90	6,773.82 / 8,259.19
DAX	18,417.50	16.64	14,630.21 / 18,892.92
Dow Jones	39,721.36	15.94	32,328.8 / 40,077.4
FTSE 100	8,193.51	12.51	7,215.76 / 8,474.41
Hang Seng	17,471.67	-6.37	14,794.16 / 20,361.03
Nasdaq	18,645.97	35.50	12,543.86 / 18,655.19
Nikkei 225	41,857.50	30.97	30,487.67 / 42,460

Top gainers

Company	10 Jul 24	10 Jun 24	% change
REC Ltd.	629.70	511.05	23.22
Persistent Systems Ltd.	4556.90	3741.55	21.79
Bharat Electronics Ltd.	333.70	283.35	17.77
Zomato Ltd.	211.20	181.85	16.14
Bajaj Holdings & Investment	9769.25	8422.80	15.99

Top Losers

Company	10 Jul 24	10 Jun 24	% change
Bank Of Baroda	256.55	276.40	-7.18
Tata Steel Ltd.	168.00	180.20	-6.77
Interglobe Aviation Ltd.	4279.35	4562.55	-6.21
AU Small Finance Bank Ltd.	629.95	668.80	-5.81
Titan Company Ltd.	3223.95	3420.15	-5.74

Performance of Indices

Index	Price	1 Year Change (%)
S&P BSE SMALLCAP	53,779.98	61.44%
S&P BSE 500	36,308.37	37.41%
S&P BSE Auto	57,735.38	60.68%
S&P BSE BANKEX	59,916.33	18.76%
S&P BSE CAP GOODS	75,207.69	82.06%
S&P BSE FMCG	20,701.45	7.56%
S&P BSE HEALTHCARE	37,131.63	40.50%
S&P BSE IT	35,708.07	20.77%
S&P BSE METAL	32,947.90	56.96%
S&P BSE Oil & Gas	30,460.35	59.10%
S&P BSE REALTY	8,795.67	108.61%
S&P BSE POWER	8,136.50	100.03%



SWAN ENERGY LTD.

Company profile

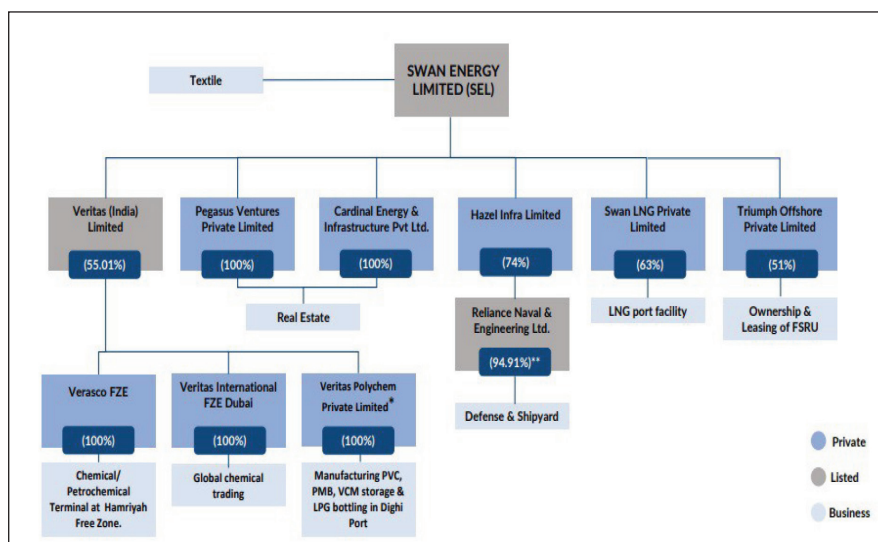
Swan Energy Limited is working in three verticals of business i.e., Textiles, Energy, and Construction. The company was incorporated in 1909 as a textile company. The company is primarily engaged in the textile business and has exposure to other industries through its various subsidiaries. These subsidiaries are engaged in the real estate business, construction of the LNG Port Project at Gujarat, Infrastructure, Textile trading business, and trading of petroleum and petrochemical products.

Business Segment

Swan Energy Limited operates in five key segments: Textiles, Energy, Real Estate and Infrastructure, Distribution and Trading, and Warehousing. The textile business remains an integral part of the company's operations, with Swan Energy manufacturing and trading textile products, leveraging its long-standing industry experience. The energy segment is a key focus area, with the company involved in the liquefied natural gas (LNG) port and terminal business, as well as power generation and distribution, actively participating in the growing energy market through its subsidiaries.

The company has a significant presence in the real estate and infrastructure sectors, developing commercial and residential projects and contributing to the company's diversified portfolio. The distribution and trading segment encompasses the trading of chemicals, petrochemicals, and other commodities, both domestically and internationally, leveraging Swan Energy's extensive network and expertise. The warehousing segment provides storage facilities for various products, complementing the company's trading and distribution activities.

Subsidiaries



The company has six subsidiaries. They are as follows-

1. Veritas (India) Limited
2. Pegasus Ventures Private Limited
3. Cardinal Energy and Infrastructure Pvt Ltd
4. Hazel Infra Limited
5. Swan LNG Private Limited
6. Triumph Offshore Private Limited

- Veritas (India) Ltd is a publicly listed company engaged in the business of Trading & Distribution of Chemicals, Logistics, Development of Software, and Power Generation (Wind Energy). Swan Energy owns a 55.01 per cent stake in the company. Verasco FZE, Veritas International FZE Dubai, and Veritas Polychem Private Limited are wholly owned subsidiaries of Veritas (India) Ltd.



SWAN ENERGY LIMITED

BSE Code : 503310

CMP : ₹732.25

Company Details

Industry	Textile
Chairman	Navinbhai C Dave
Managing Director	Nikhil V Merchant
Company Secretary	Deepesh Kedia
ISIN Code	INE665A01038
Bloomberg Code	SWAN IN
Reuters Code	SWAN.BO

Key Market Ratios

Latest Date	11-Jul-24
Latest Price (Rs)	732.25
Previous Close (Rs)	721.30
1 Day Price Var%	1.52
1 Year Price Var%	194.31
52 Week High (Rs)	782.55
52 Week Low (Rs)	214.35
Beta	1.04
Face Value(Rs)	1.00
Industry PE	29.63
TTM Period	202403
TTM EPS(Rs)	0.07
TTM CEPS(Rs)	0.32
Price/TTM CEPS(x)	2259.14
TTM PE (x)	0.00
Price/BV(x)	5.02
EV/TTM EBITDA(x)	956.80
EV/TTM Sales(x)	57.72
Dividend Yield%	0.01
MCap/TTM Sales(x)	59.49
Latest Book Value (Rs)	145.74
Market Cap (Rs in Crores)	22952.88
EV (Rs)	22267.55
Latest no. of shares (in Crores)	31.35

Share Holding Pattern as on 202403

Promoter No of shares (Rs. in Crores)	16.91
Promoter %	53.96
FII No of Shares(Rs. in Crores)	
FII %	
Total No of Shares(Rs. in Crores)	31.35
Free Float %	46.04



SWAN ENERGY LIMITED

- Verosco FZE is involved in the warehousing/terminal for chemical & petrochemical products. The company has its terminal located in Hamriyah, UAE. It has 30 tanks and 172k m3 capacity which stores all classes of petroleum products, crude oil & chemicals. Veritas International FZE Dubai is engaged in trading chemical products globally. Veritas Polychem Pvt Ltd operates in manufacturing PVC, PMB, VCM storage & LPG bottling in Dighi Port.
- Pegasus Ventures Private Limited and Cardinal Energy & Infrastructure Pvt Ltd are fully owned subsidiaries. Both companies combined have an execution track record of 26.16 lakhs sq. Ft. commercial & residential projects in Mumbai, Bangalore & Hyderabad.
- Swan Energy has a 74 per cent stake in SPV (Hazel Infra Limited); further, Hazel Infra has a 95 per cent stake in a publicly listed company, Reliance Naval & Engineering Ltd. Reliance Naval was the first private sector company in India to obtain the license and contract to build warships. Reliance Naval is engaged in repair and upgradation, naval shipbuilding, commercial shipbuilding, and heavy engineering. It also operates India's largest integrated shipbuilding facility with a 662 M x 65 M Dry dock. The facility houses the only modular shipbuilding facility with the capacity to build fully fabricated and outfitted blocks.
- Swan Energy owns 63 per cent and 51 per cent in Swan LNG Private Ltd and Triumph Offshore Pvt Ltd. These companies are engaged in LNG port facilities and LNG terminal business, respectively. Swan LNG has an LNG regasification capacity of 5MMTA at Jafrabad in Amreli District, Gujarat; equity partnered with Gujarat Maritime Board (15 per cent), Gujarat State Petronet (11 per cent), Mitsui OSK Lines (11 per cent).

Financials

In FY24, Swan Energy reported strong consolidated financial results. The company recorded sales of Rs 5,017 crore, a remarkable 249 per cent growth from the previous year. This impressive sales performance marked a significant turnaround for the company, as it returned to profitability after four consecutive years of losses. The company's net profit for FY24 stood at Rs 586 crore.

However, the company's financial performance in the latest quarter, Q4FY24, showed a mixed picture. While the company registered a consolidated sales growth of 48.8 per cent, from Rs 933 crores in the previous year to Rs 1,398 crore, its quarterly net profit declined steeply by 60 per cent, from Rs 100 crore in Q4FY23 to just Rs 40 crore in Q4FY24. This decline in net profit was primarily attributed to an increase in raw material prices during the quarter, which impacted the company's profitability.

Revenue Mix

The company operates mainly into five business segments- Distribution & Development, Energy, Textile, Property Development,

and Warehousing. According to FY24, about 76.1 per cent of the consolidated revenue comes from the Distribution & Development segment, 13.2 per cent from Property Development, 4.62 per cent from Energy, 3.83 per cent from textile, and the rest 2.22 per cent comes from the warehousing segment.

Shareholding Pattern

53.96 per cent of the stake in the company is owned by promoters, 14.33 per cent by the DIIs, 11.16 per cent by FIIs, and the rest 20.53 per cent by the public investors.

Growth Triggers

Swan Energy, through its subsidiary Swan LNG, currently operates an LNG regasification terminal in Jafrabad, Gujarat, with a capacity of 5 MMTPA (million metric tonnes per annum). The company plans to expand this capacity by an additional 5 MMTPA, reaching a target capacity of 10 MMTPA by 2027.

The company recently raised Rs 3,319 crore through a Qualified Institutional Placement (QIP) in February 2024, which will be used for modernization, expansion, and debt reduction. The company's continued focus on debt reduction would help the company to re-rate.

The government aims to expand LNG import terminals, and regasification capacity to meet the growing demand for natural gas.

Valuation

Swan Energy's stock is currently trading at a PE multiple of 75.7 times, which may appear high. However, the company's price-to-earnings growth (PEG) ratio is trading well below the ideal 1 mark at 0.83 times. Talking about other valuation metrics, EV/EBITDA and market cap to sales ratio stood at 26.2 times and 4.54 times, respectively.

Potential Risk

The company has a lower than moderate interest coverage ratio of 3.69 times, indicating that it could face difficulties in servicing its debt obligations in times of uncertainty. Promoters also have pledged 18.4 per cent of the share. These factors raise concerns about the company's financial stability.

Conclusion

The company is well-positioned to benefit from the developing LNG gasification infrastructure within the country. Additionally, it generates stable income from its rental properties, providing a reliable revenue stream. The valuation appears fine given the company's growth prospects. Despite the high-interest expenses in the P&L statement, management is actively focused on reducing debt. Considering these factors, we recommend buying the stock.

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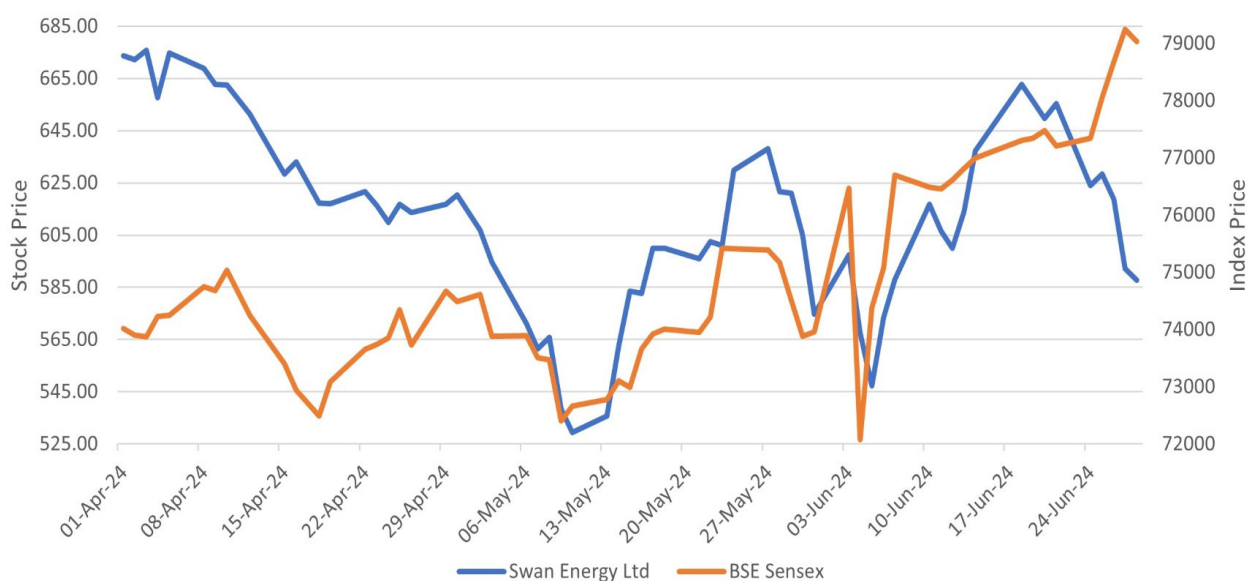
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Consolidated Profit and Loss Statement

Particulars	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Sales	340.82	320.47	487.20	1,438.14	5,017.15
Expenses	288.75	252.39	418.72	1,206.99	4,149.47
Operating Profit	52.07	68.08	68.48	231.15	867.68
Other Income	8.54	3.58	6.71	10.75	82.92
Depreciation	14.52	41.66	70.27	81.35	114.96
Interest	50.33	108.04	189.15	222.80	226.30
Profit before tax	-4.24	-78.04	-184.23	-62.25	609.34
Tax	0.58	-9.43	-26.34	-1.19	23.38
Net profit	-4.83	-68.61	-157.89	-61.05	301.17
EPS	-0.20	-2.81	-5.98	-2.31	9.61

Stock vs Index





Two Buzzing Stocks

Yes Bank Limited

BSE Code : 532648

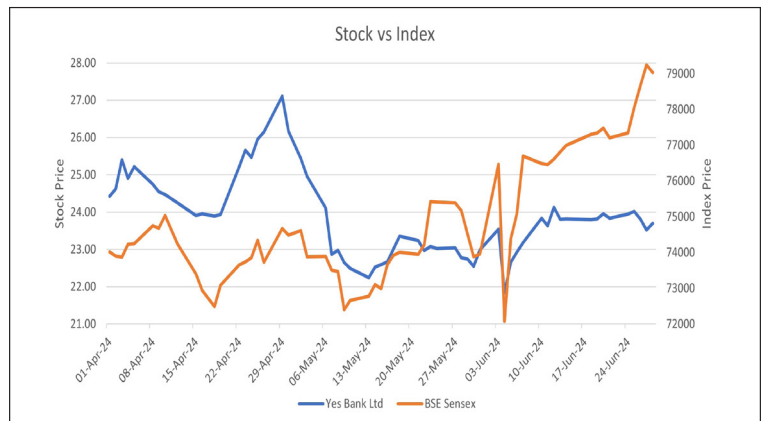
52 Week High / Low : ₹32.81 / ₹14.10

Face Value : ₹2

Yes Bank Limited (YBL) is a new-generation private sector bank incorporated in November 2003. The RBI superseded the Board of Directors and imposed a moratorium on the bank from March 5, 2020. Following significant progress under the reconstruction scheme, YBL initiated the formation of an alternate board, which was appointed during H1FY23. In July 2022, the RBI withdrew its appointed additional directors, as did the GOI under the reconstruction scheme. As of April 2024, YBL has 1,234 branches in 300 districts and 1,290 ATMs, CRMs, and BNAs.

Yes Bank reported positive results for Q4FY24, with net profit rising significantly to Rs 467.29 crore, up 123 per cent year-on-year, reflecting an improvement from the previous year's low base. Return on Assets (RoA) also jumped to 0.5 per cent, indicating better overall performance. Loan growth was healthy at 5 per cent compared to the previous quarter, and deposit growth was even stronger at 10 per cent, showing a growing customer base. The bank's bad loan situation improved sharply, with the net Non-Performing Assets (NPA) and net carrying value of security receipts (SR) ratio falling to 1.1 per cent, down from 1.7 per cent in the previous quarter.

However, Yes Bank's profitability remains burdened by a large investment (around 11% of total assets) in RIDF (Regulated Interim Liquidity Deposits), which has a lower yield, thus reducing overall profitability. The bank is actively working on increasing organic lending to reduce reliance on RIDF, which should improve profit margins and return on assets over time. Importantly, Moody's has upgraded the outlook for the bank from stable to positive.



Vodafone Idea Ltd

BSE Code : 532822

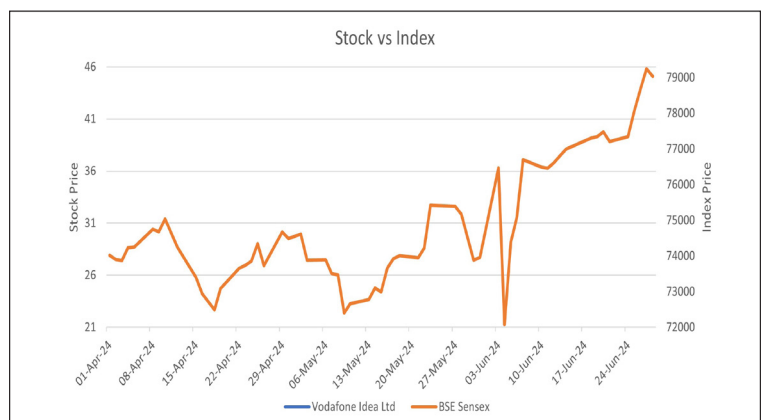
52 Week High / Low : ₹19.15 / ₹7.18

Face Value : ₹10

Vodafone Idea Limited (VIL), partly owned by Aditya Birla Group (ABG) and Vodafone Group Plc (VGP), is one of India's largest telecom operators. VIL provides voice, data, and enterprise services across India. Recently, VIL raised Rs 20,075 crore through a Follow-on Public Offer (FPO) to enhance their 4G network, launch 5G services, and expand their enterprise business. The company expects to start rolling out 5G in about six months. Despite a declining subscriber base due to inadequate 4G coverage, VIL has planned a capex of Rs 500-550 billion over the next three years to strengthen its 4G network and launch 5G across key sites.

VIL reported mixed results for the latest quarter. Revenue was slightly down due to subscriber decline, but ARPU (average revenue per user) saw slight growth. The company continues to bear a high debt load. However, the government has provided relief by allowing VIL to defer spectrum auction payments and dues, converting the interest on this deferment into equity, resulting in the government holding a 23.77 per cent stake in VIL.

The outlook for the Indian telecom sector is stable, with growth expected from increased rural penetration, more broadband subscribers, and the rollout of 5G services. Today, VIL informed the stock exchange about the conversion of previously issued convertible debentures to ATC Telecom Infrastructure Private Limited into equity shares. The company received a notice from the debenture holder to convert the remaining 1,600 debentures into 160 million equity shares.





Market Statistics

DIVIDEND BECOME EX-DATED IN FORTHCOMING DAYS

Company Name	Dividend (%)	Ex Div Date	Company Name	Dividend (%)	Ex Div Date
Jay Ushin Ltd	30	20 Sep 24	Stove Kraft Ltd	25	13 Sep 24
Samrat Pharmachem Ltd	10	19 Sep 24	Ganesh Housing Corporation Ltd	110	30 Aug 24
HeidelbergCement India Ltd	80	18 Sep 24	AMJ Land Holdings Ltd	10	29 Aug 24

NET INVESTMENT IN EQUITY MARKETS (₹/CR)

Days	FII's	DII's	Days	FII's	DII's
Jul 10, 24	583.96	1,082.40	Jul 3, 24	5,483.63	-924.43
Jul 9, 24	314.46	1416.46	Jul 2, 24	-2,000.12	648.25
Jul 8, 24	60.98	2866.79	Jul 1, 24	-426.03	3917.43
Jul 5, 24	1241.33	-1651.36	Jun 28, 24	-23.09	6658.31
Jul 4, 24	2575.85	-2,375.18	Jun 27, 24	7,658.77	-3,605.93

SPLIT DECLARED IN LAST FEW DAYS

Company Name	Date Of Announcement	Old Face Value	New Face Value
NHC Foods Ltd	Jul 22, 24	10	1
Elecon Engineering Company Ltd	Jul 19, 24	2	1
KPI Green Energy Ltd	Jul 18, 24	10	5
Vantage Knowledge Academy Ltd	Jul 12, 24	10	1
WPIL Ltd	Jul 12, 24	10	1
PG Electroplast Ltd	Jul 10, 24	10	1

EX-BONUS

Company Name	Current Holdings	Ratio Offered	Ex-Bonus Date
Siddhika Coatings Ltd	1	1	Jul 19, 24
M M Forgings Ltd	1	1	Jul 16, 24
Alphalogic Techsys Ltd	48	14	Jul 12, 24
Clara Industries Ltd	1	4	Jul 8, 24
Remedium Lifecare Ltd	1	3	Jul 5, 24
GPT Infraprojects Ltd	1	1	Jul 3, 24
Oil India Ltd	2	1	Jul 2, 24
Aurionpro Solutions Ltd	1	1	Jun 27, 24

CONTINUOUSLY MOVING UP

CompanyName	July 11	July 10	July 09	July 08	July 05
SCSL	107.56	89.64	74.70	71.17	67.79
Tarini Int	33.53	31.94	30.42	27.81	25.79
GE Power India	635.50	597.70	536.55	517.55	480.30
Kaya	700.15	668.85	637.00	606.70	551.55
Panafic Ind	1.90	1.81	1.73	1.65	1.50

RECENT ANNOUNCEMENTS

Azad Engineering Limited: Azad Engineering Limited has secured a 5-year contract from Siemens Energy Global GmbH & Co. KG, Germany, to manufacture and supply critical rotating components for their advanced gas and thermal turbine engines on a global scale. This agreement signifies Azad Engineering's capabilities in manufacturing such crucial components and positions them as a supplier for Siemens Energy's global demands.

Larsen & Toubro Limited : Larsen & Toubro Limited's wholly owned subsidiary, Larsen & Toubro International FZE, has incorporated a new wholly owned subsidiary company named Larsen & Toubro CIS Foreign Enterprise Limited Liability Company (L&T CIS) in Uzbekistan on July 10, 2024. L&T CIS is a new entity and is yet to begin business operations. It is formed to undertake Engineering, Procurement & Construction (EPC) projects, encompassing a wide range of services including engineering, supplying materials, civil works, installation, testing, and commissioning.

Sprayking Limited : Sprayking Limited (formerly Sprayking Agro Equipment Limited) completed the first three months of production at their new Jamnagar facility, Gujarat. This new facility utilizes recycled waste copper alloy scrap to manufacture high-quality copper alloy components. This achievement demonstrates Sprayking's commitment to environmental sustainability and regulatory compliance, as evidenced by their zero non-compliance notices from the Pollution Control Board over the past three months.

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