

NEWSLETTER

JAN 25, 2025



Market Sense

Weekly Concept Note: Basics of Quarterly Filings

Primary Market Offerings: Stallion India Fluorochemicals Limited

Denta Water and Infra Solution Limited



Dashboard



Indicators on TradingView



Realtime Alerts



Discussion Group



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Indian Markets Face Headwinds: Weekly Update, Looming Death Cross and Budget Anticipation

The Indian stock market experienced a challenging week, with the Nifty500 declining by over 1.67%. The bearish sentiment was driven by both domestic and global factors, keeping the index below its 50MA and 200EMA. This technical positioning suggests a continuation of the bearish trend, prompting traders to remain cautious and maintain strict stop-losses.

A significant development is the imminent formation of a **death cross** on the Nifty500 and other benchmark indices. While this technical pattern, where the 50EMA crosses below the 200EMA, sounds scary and is often seen as bearish, historical data shows it has signaled a market bottom rather than a prolonged downturn.

The current market environment is predominantly stock-specific, with more companies reacting negatively to earnings results than positively. Investors are advised to wait for a clear uptrend before taking significant positions. Looking ahead, all eyes are on the upcoming Union Budget. Market participants will be watching closely for potential boosts to sectors such as defense, infrastructure, and consumption if budget expectations are met.

Market Breadth

1 Jul 2023 - 24 Jan 2025

Percent stocks over 10/30/50 Day Moving Averages (EMAs)

% above 10EMA 24 Jan 2025 15%

% above 30EMA 24 Jan 2025 12%

% above 50EMA 24 Jan 2025 13%

% of Companies with DCR

DCR Range	23 Jan 2025	24 Jan 2025
< -30%	34	73
30% - 70%	44	22
> 70%	23	5

No. of Companies with Pocket Pivot Volumes

Date	No. of Companies
Jan 21	34
Jan 22	35
Jan 23	58
Jan 24	28

Nifty 500: 10EMA over 20EMA? ● Curtail

Recent Crossback Dates:

Date	Event
23 Dec 2024	Crossunder
3 Dec 2024	Crossover
7 Oct 2024	Crossunder
19 Aug 2024	Crossover
8 Aug 2024	Crossunder
14 May 2024	Crossover

Crossover of 10EMA over 20EMA is a positive indicator for starting LONG positions again, while crossunder is a cautionary sign to cut LONG positions.
● dot favors staying LONG, while ● dot favors curtailing Long positions.

Number of stocks with percentage change over 3%

Date	No. of Cos.	>3%	<3%	% >3%	% <3%
24 Jan 2025	1,658	40	487	2%	29%
23 Jan 2025	1,658	169	71	10%	4%
22 Jan 2025	1,661	31	372	2%	22%
21 Jan 2025	1,662	36	369	2%	22%
20 Jan 2025	1,659	273	56	16%	3%
17 Jan 2025	1,656	128	66	8%	4%
16 Jan 2025	1,652	321	28	19%	2%
14 Jan 2025	1,649	164	81	9%	5%

The market breadth is weak and has reached oversold levels again. While last week suggested a possibility of short-term bullish momentum, it remains a sell-on-rise market (For reference: we consider the market to be in the oversold zone when all three key EMAs touch the green line at the bottom.)

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Basics of How to Read Quarterly Financials

Quarterly results statements provide a snapshot of a company's financial performance over a three-month period. Understanding these reports are crucial for making informed investment decisions or simply staying informed about a company's health.

According to SEBI Regulations, a listed company has to submit its **quarterly financial results** (only Profit & Loss Account) to Stock Exchanges, **within 45 days of the end of each quarter**. For June & December quarter, Balance Sheet and Cash Flow Statement are also required to be submitted along with Profit & Loss Account. Companies listed on SME Exchanges have to submit these financial statements only for half-year periods i.e. September and March end.

Here's a sample filing of **December 2024 quarter** done by **Aeroflex Industries Limited**. Our intention here is to have a quick guide on how to read these quarterly statements.

Last Financial Year 2024 results

AEROFLEX INDUSTRIES LIMITED

Regd. Office: Plot No. 41, 42/13, 42/14 & 42/18, Near Taleja MIDC, Village Chal, Behind IGPL, Panvel, Navi Mumbai - 410 208
 CIN: L24110MH1993PLC074576 Email: corporate@aeroflexindia.com Website: www.aeroflexindia.com
 Tel: 022-61467100

Statement of unaudited consolidated financial results for the quarter and nine months ended on 31st December, 2024 (INR in lakhs)

Particulars		Quarter ended			Nine months ended		Year ended
		3 months ended 31.12.2024 (Unaudited) Dec 2024 Quarter	Preceding 3 months ended 30.09.2024 (Unaudited) # Sep 2024 Quarter	Corresponding 3 months ended in the previous year 31.12.2023 (Unaudited) Dec 2023 Quarter	Year to date figures for the current period ended 31.12.2024 (Unaudited)	Year to date for the previous year ended 31.12.2023 (Unaudited)	Twelve months ended 31.03.2024 (Audited)
Revenue from operations	1	9,979.54	9,499.36	7,312.90	28,453.62	24,013.52	31,790.73
Other income	2	57.25	80.93	119.17	241.24	253.77	384.32
Total Income (1+2)	3	10,036.78	9,580.29	7,432.07	28,694.87	24,267.29	32,175.05
Expenses :							
Cost of Materials consumed		5,809.47	6,095.78	4,941.05	16,868.32	15,870.83	20,723.88
Changes in inventories of finished goods, work-in-progress and stock-in-trade		193.19	(517.53)	(382.84)	142.52	(633.92)	(583.59)
Employee benefits expense		921.04	884.99	673.81	2,603.21	1,943.35	2,620.18
Finance costs		8.62	7.83	7.30	22.55	207.86	213.86
Depreciation and amortization expense		251.29	243.00	158.68	731.77	452.48	626.19
Other expenses		886.52	999.55	699.37	2,824.02	2,096.56	2,849.51
Total expenses	4	8,070.12	7,713.62	6,097.35	23,192.39	19,937.16	26,450.02
Profit before exceptional items and tax (3-4)	5	1,966.67	1,866.67	1,334.72	5,502.48	4,330.13	5,725.03
Exceptional items	6	-	-	-	-	-	-
Profit/(loss) before tax (5+6)	7	1,966.67	1,866.67	1,334.72	5,502.48	4,330.13	5,725.03
Less : Tax expense:-	8						
Current Tax		490.00	475.00	330.00	1,395.00	1,058.00	1,415.70
Deferred Tax		1.15	(6.09)	6.37	(6.60)	10.01	43.93
Taxation of Earlier Year		(45.40)	31.91	94.73	(13.49)	92.00	92.00
Profit/(loss) for the period from continuing operation (7-8) Net Profit	9	1,520.92	1,365.84	903.62	4,127.57	3,170.11	4,173.40
Paid up Equity Share Capital		2,586.41	2,586.41	2,586.41			
Face value per share of Rs 2/- each							
Other Equity							
Earnings per equity share: (for continued Operation - not annualised):							
(1) Basic		1.18	1.06	0.70			
(2) Diluted		1.18	1.06	0.70			

Revenue
 - COGS
 Gross Profit
 - Employee benefit & other exp.
 EBITDA (Operating profit)
 - Depreciation
 EBIT
 - Interest
 PBT
 - Taxes
 PAT

Always use Diluted EPS for your calculations. Diluted EPS takes into account potential ESOP & Warrants conversion.

Key Components to focus on:

- Revenue
- Operating Profit
- Net Profit

Basics of How to Read Quarterly Financials

Management Commentary

Also keep an eye on the company's commentary regarding their results. These often provide helpful context and insights into future expectations, making it easier to interpret the numbers. While not mandatory, many companies share an **Investor Presentation** summarizing their performance and future plans, or they issue a press release for the same purpose. Additionally, some companies host **earnings calls** open to everyone, where they address questions from investors. As investors, it's essential to review the transcripts of these earnings calls for valuable insights.

What do we make out of Aeroflex December quarter results?

The company reported Revenue of ₹99.80 cr. in Dec 2024, compared to ₹73.13 cr. in Dec 2023, an increase of 36% year-on-year (YoY). On this revenue of ₹99.80 cr., it earned Operating Profit (EBITDA) of ₹21.70 cr. i.e. Operating Profit Margin (OPM%) of 21.7% in Dec 2024, compared to 18.9% OPM% in Dec 2023. The Net Profit increased to ₹15.21 cr. in Dec 2024, compared to ₹9.04 cr., thus an increase of 68% YoY.

Aeroflex also provided an Investor Presentation after announcing its results where it outlined its strategic growth initiatives, market expansion strategy, updates on capacity expansion and operational improvements. Aeroflex also held its earnings call, transcript of which is also available.

All in all, Aeroflex's growth appeared good, margins improved, management seemed confident about its future plans.

Our stock market is heavily obsessed with good results, often reacting strongly to any signs of growth or profitability in a company's performance. Next day after results, Aeroflex got locked in 20% Upper Circuit! Probably, it met with the **EXPECTATIONS** that investors must have set for it.



YoY comparisons neutralize the impact of seasonal fluctuations in business performance. Many businesses experience predictable seasonal cycles, such as retailers seeing peak demand during the holiday season. By comparing the same time periods across different years (e.g., Dec 2024 vs. Dec 2023), we can assess true growth without the distortions caused by seasonal extremes.

What do you mean 'Expectations'?



Stock prices typically rise when a company reports good earnings and fall when it reports poor earnings. However, delivering positive Revenue & Profit growth is not enough for a stock to rise. The growth numbers must meet expectations of large investors who have invested or track these companies closely. Sometimes, seemingly bad results can be rewarded by the stock market, while seemingly good results can be punished if they don't meet expectations.

Let's say a Company had earned ₹1,000 cr. profit last quarter and earned ₹1,400 cr. profit this quarter, an increase of 40%! Good isn't it? But what if the market was expecting ₹1,600 cr. Profit? The stock price will most likely be beaten next day!

SYNGENE INTERNATIONAL (Rs. cr.)			
	Dec 2023	Dec 2024	Change
Revenue	854	944	10.5%
OPM %	27.2%	30.1%	2.9%
Net Profit	112	131	17.0%

L&T TECHNOLOGY SERVICES (Rs. cr.)			
	Dec 2023	Dec 2024	Change
Revenue	2,422	2,653	9.5%
OPM %	20.1%	18.7%	-1.5%
Net Profit	337	320	-5.0%

Consider the case of **Syngene International**, which reported double digit growth in Revenue and Net Profit, improvement in margins, yet the stock price fell over 6% the next day of declaring results.

Or **L&T Technology Services**, which reported fall in margin and profitability, but still the stock gained 8% next day after declaring results. Even TradingView has a negative **E** earning sign on the date LTTs declared its results.

This is precisely the reason why we have categorised Earnings Results into **'Blockbuster', 'Positive', 'Dismal', 'Negative'** and **'No impact'** in our Dashboard.

With so many results getting announced during the earnings season, it makes life of a trader really hard to concentrate on winning stocks.

Results' Impact on Price	Record Count
<input checked="" type="checkbox"/> NA	9
<input checked="" type="checkbox"/> Blockbuster	76
<input checked="" type="checkbox"/> Dismal	100
<input checked="" type="checkbox"/> Positive	177
<input checked="" type="checkbox"/> Negative	465
<input checked="" type="checkbox"/> None	829

Pro-Setups makes your life easier by classifying earnings impact based on how stocks react to earnings.

Basics of How to Read Quarterly Financials

Quick revision of each line item:

Revenue from operations	This is the total amount of money a company earned from its primary business activities during the quarter. Also known as Top Line .
Other Income	Other income is the money earned by a company from sources outside its core business activities, such as interest income, rental income, dividend on investment.
Cost of Goods Sold (COGS)	COGS includes all direct costs associated with producing or purchasing the goods or services sold. This includes Cost of Materials consumed, Changes in Inventory and Direct Wages paid to factory workers.
Gross Profit	Gross Profit = Revenue - COGS. It reflects how efficiently a business manages its production costs and pricing strategies. You should exclude Other Income while calculating Gross Profit.
Employee Benefit Expenses	Includes salaries (other than wages to factory workers) & expenses related for employees benefits.
Other Expenses	Other expenses include expenses related to administration, selling & marketing, transportation, legal and other misc. expenses incurred by company.
EBITDA (or Operating Profit)	EBITDA = Gross Profit - Employee Benefit expenses - Other expenses. EBITDA allows for more accurate comparisons between companies by excluding the effects of financing decisions, tax environments, and accounting practices for non-cash expenses.
Finance Expenses	Expenses paid on debt taken by company.
Depreciation & Amortization	These are non-cash expenses that allocate the cost of assets over their useful life. Depreciation is charged on fixed physical assets, while intangible assets are amortized.
PBT	Profit before the company pays Income Tax.
Exceptional Items	Exceptional items are unusual transactions and are not recurring in nature. While they do impact the business, they are excluded for comparing one quarter with another.
PAT (or Net Profit)	Profit after the company has paid Income Tax. Also known as Bottom Line . This is the profit after all expenses have been taken care of.
EPS	EPS is calculated by dividing the net income by the number of outstanding shares. It tells you how much profit is left for each share.
Year over Year (YoY) Comparison	Compare the current quarter's results with the same quarter from the previous year. So December 2024 quarter is compared with December 2023 quarter. This helps in understanding the company's growth trajectory and seasonal patterns.
Sequential Comparison	Looks at how the company performed compared to the previous quarter. Here December 2024 quarter is compared with September 2024 quarter. This can reveal short-term trends or improvements.
Trailing Twelve Months (TTM)	Measures company's performance over the most recent 12 consecutive months. So Dec 2024 TTM Revenue will be sum of revenue in March 2024, June 2024, Sept 2024 and Dec 2024 quarter.

Stallion India Fluorochemicals Limited

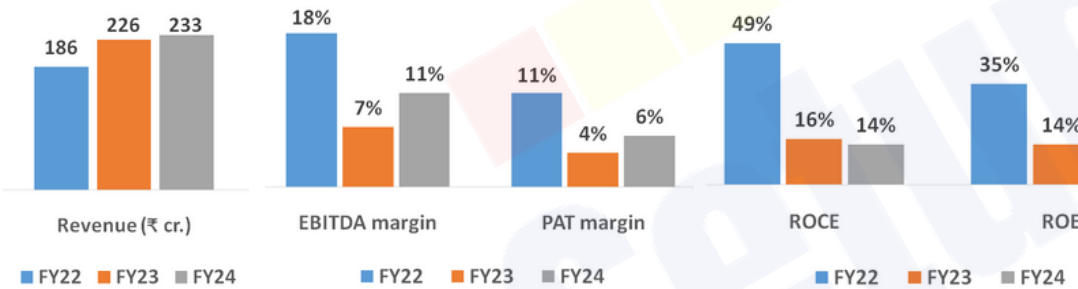
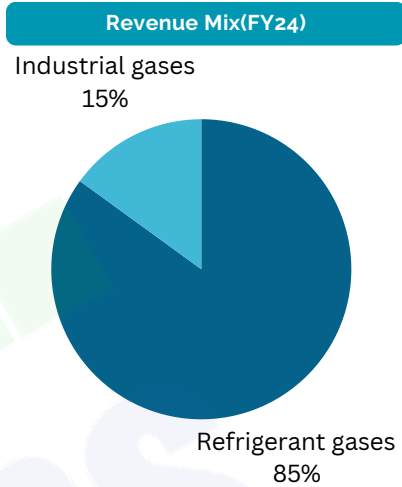


Sector: Chemicals **Issue size:** ₹199.45 crores, including offer for sale of ₹38.72 crores
Industry: Specialty Chemicals **IPO price:** ₹90
Market Cap: ₹ 714 crores

Stallion specializes in manufacturing refrigerant and industrial gases from its four manufacturing facilities. Its activities include debulking, blending, processing of gases, and selling pre-filled cans and small cylinders/containers. It also offers a variety of service products such as high-pressure washers, accessories, and portable vacuum pumps. The gases find application in various industries such as air conditioners, refrigerators, fire safety, semiconductor manufacturing, automobiles, pharmaceutical and glass bottle manufacturing.

The company holds a **10% market share in the fluorochemicals and specialty gas industry**. It competes with larger players like SRF, Gujarat Fluorochemicals, and Navin Fluorine.

The company plans to utilise the IPO proceeds towards funding incremental working capital requirements, capex for its Semi-conductor & Specialty Gas debulking & blending facility in Maharashtra and Refrigerant debulking & blending facility in Andhra Pradesh.



Denta Water and Infra Solution Limited



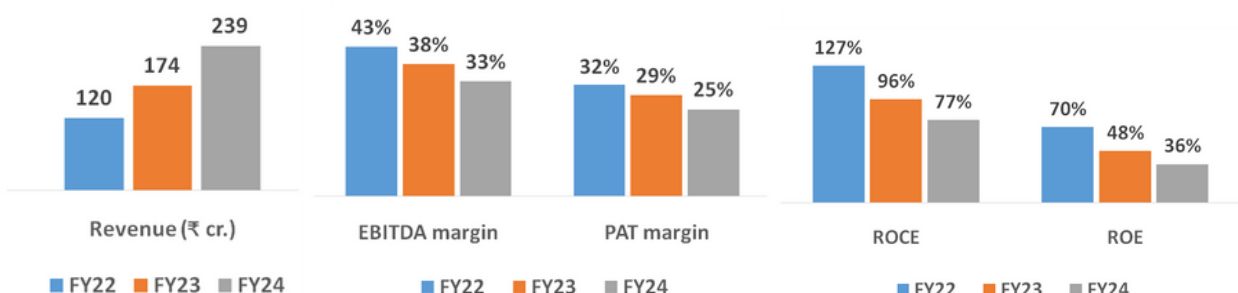
Sector: Infrastructure **Issue size:** ₹221 crores, Fresh Issue
Industry: Infrastructure **IPO price:** ₹279-₹294
Market Cap: ₹785 crores

Denta Water and Infra Solutions Limited, incorporated in 2016, is involved in designing, installing, and commissioning water management infrastructure projects, with expertise in groundwater recharge projects. The company has completed major projects in Bengaluru's wastewater management and supporting the Government's Jal Jeevan Mission. Its water management projects are concentrated in the state of Karnataka and it has completed 32 such projects.



As of Nov 30, 2024, they have successfully covered 446km of infrastructure for water management, pumping of secondary treated sewage water from adjoining cities of Bangalore and Mysore, to replenish the dried lakes in districts of Karnataka, and supplying drinking water to peripheral habitations from reservoirs.

Order Book as on Nov 2024:
₹752 crores



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