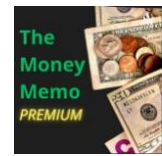


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THE MONEY MEMO

QUANTITATIVE RESEARCH AND ANALYSIS™



INDIA – MARKET SUMMARY

- Over the past week, the Indian stock market has experienced some notable shifts amidst a mixed global and domestic backdrop. The benchmark indices, BSE Sensex and NSE Nifty 50, have shown volatility, with Sensex closing near the 82,800 mark and Nifty 50 around 25,350.
- Key drivers of the market fluctuations include geopolitical factors such as rising oil prices due to Hurricane Francine, causing concerns over energy costs and inflation. On the brighter side, oil prices have also dipped recently, benefiting sectors like airlines, with stocks like IndiGo poised to gain.
- Sectorally, Financials and Energy stocks experienced some declines, while consumer staples and healthcare showed resilience. Major players such as Bharti Airtel, NTPC, and Mahindra & Mahindra saw strong gains. The market continues to react cautiously to global economic conditions, particularly ahead of potential rate cuts by the U.S. Federal Reserve, which are expected to influence market sentiment.
- With an extended period of high interest rates expected to conclude next week, it's important to note that many low-quality stocks have experienced significant rallies, leading to inflated valuations reminiscent of previous market peaks.
- In conclusion, while India's market remains strong with long-term growth potential, recent earnings disappointments and economic challenges suggest that short-term volatility may persist. Investors are closely watching both domestic corporate earnings and international developments.

NIFTY 50 INDEX - OUTLOOK

- Over the past week, the Nifty 50 index showed signs of volatility as it hovered around the 25,200-mark. Despite occasional dips, the index managed to remain resilient, largely driven by gains in sectors like technology, energy, and automobiles. Key players such as Bharti Airtel, Mahindra & Mahindra, and NTPC contributed to the index's upward momentum. However, global concerns like rising oil prices and economic uncertainties in key markets caused some hesitancy among investors.
- Short term view for index remains **bullish** and dip towards 25,300 - 25,180 will be used by traders to initiate fresh longs. On the higher side, immediate resistance will be around 25,500 (maximum Call writing in weekly expiry) and from those levels minor profit booking can be seen. However, as the overall view remains bullish dips can be used to add long positions. **Broader market trends remain strong with no signs of reversal, suggesting that the uptrend is likely to continue.**
- Nifty has broken out of its recent consolidation on the daily chart, indicating a rise in optimism. Additionally, the index has been sustaining above the critical 21-day EMA (Exponential Moving Average), a near-term moving average. The RSI on the daily chart shows a bullish crossover, reinforcing the positive sentiment. The trend is expected to remain strong, as the index closed above the recent consolidation high.

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NIFTY 50 INDEX TRADE SET UP – F&O CONSIDERATIONS

Upside

- NIFTY is currently in **Positive** trend. If you are holding long positions, then continue to hold with daily closing stoploss of 25137. Fresh short position can be initiated if NIFTY closes below 25137 levels.

Downside

- On the downside, a close below 25300 could indicate a bearish sentiment, possibly leading to further declines. Traders might consider a contra strategy by buying puts if 25300 level is broken.

Key Levels

- 25,289 - 25,222 - 25,151: Medium support around these levels. Any movement below 25150 will mean further weakness.
- 25,427 - 25,498 - 25,565: Strong resistance seen around these levels. Any movement above 25450 will be very positive for Nifty F&O positions.



Nifty weekly chart – After the freak late intraday move on Thursday, the index traded sideways on Friday, giving rise to a flag and pole pattern which is a bullish continuation pattern, indicating further upside.



An encouraging sign has been the movement of the broader market (Nifty500) in the same fashion as Nifty50, also making the same bullish pattern. This shows good strength across sectors.

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GIFT Nifty Futures Index – Close on 13 Sep 2024 higher than Nifty 50 close, which indicates a good opening for the index on Monday.

FII/DII ACTIVITY

In the week ending September 13, 2024, Foreign Institutional Investors (FIIs) and Domestic Institutional Investors (DIIs) played contrasting roles in the Indian stock market, showing a clear divergence in their market behaviour.

- FII Activity:** FIIs were net sellers throughout the week, with significant outflows from Indian equities. In the last few trading sessions, FIIs sold stocks worth around ₹1,800 crore, reflecting a cautious approach amid global uncertainties and concerns over high valuations in the Indian market. This selling was influenced by rising global bond yields and a strengthening U.S. dollar, which made emerging market investments less attractive for foreign investors.
- DII Activity:** On the other hand, DIIs emerged as net buyers, absorbing much of the selling pressure from FIIs. Over the same period, DIIs bought equities worth nearly ₹2,100 crore, providing crucial support to the market. This buying spree was driven by mutual funds and insurance companies, taking advantage of dips in stock prices to increase their holdings. The domestic institutions showed confidence in sectors like banking, IT, and pharma.
- The net effect of this activity led to a relatively stable performance in the major indices, with the Nifty and Sensex experiencing limited volatility despite the contrasting FII and DII trends.

FII / DII: Net Buy/(Sell)		(Rs. Crores)
📅 Fri, 13 Sep 2024		
FII Cash Market*	█	+2,364.82
DII Cash Market*	█	+2,532.18
+ FII Index Futures	█	+1,338.89
+ FII Index Options	█	-2,215.75
FII Stock Futures	█	-5,054.16
FII Stock Options	█	-1,376.25

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U.S – MARKET SUMMARY

Economic Outlook:

- The U.S. stock market rallied sharply last week, recovering losses from earlier in September. Key economic indicators pointed towards easing inflation, reinforcing hopes for a 25-basis-point rate cut by the Federal Reserve at its upcoming meeting on September 18.
- Inflation data, including the producer price index (PPI) and consumer price index (CPI), revealed a modest 0.2% month-over-month increase, with core PPI rising slightly higher than expected at 0.3%. While this wasn't a dramatic shift, it provided reassurance that inflation remains under control, stoking optimism for a softer monetary stance.
- Additionally, weekly jobless claims increased slightly to 230,000, reflecting a softening labour market. This, combined with slowing inflation, fuelled speculation that the Federal Reserve may adopt a more accommodative policy, further boosting market sentiment.

Earnings Season:

- Though earnings reports were limited last week, companies like Oracle (ORCL) outperformed expectations, boosting tech sentiment. Oracle's strong results, combined with upbeat commentary from Nvidia (NVDA) regarding sustained demand for AI chips, fuelled optimism in the technology sector. This optimism outweighed concerns about slightly higher inflation readings.

Sector Performance:

- **Technology** led the charge, with the Nasdaq Composite up 5.8% for the week. Key contributors included mega-cap stocks such as Alphabet, Microsoft, and Nvidia. Investors flocked back to tech, capitalizing on AI growth and expectations of a Fed rate cut.
- **Consumer Discretionary** surged 6%, buoyed by strong consumer sentiment and positive earnings reports in the sector.
- **Energy** was the only sector to finish in the red, losing 0.85% as oil prices retreated amid global demand concerns.
- **Financials** struggled slightly due to pressure from falling Treasury yields, with big banks like JPMorgan Chase seeing margin concerns.
- Overall, the S&P 500 gained 4% on the week, bringing its year-to-date gain to nearly 18%. The Dow Jones Industrial Average was up 2.6%, while the Russell 2000, representing small-cap stocks, jumped 4.4%.
- ***This remarkable rebound suggests that markets are positioning themselves for a more favourable interest rate environment, driven by a combination of cooling inflation and steady corporate earnings. Investors are closely watching the Federal Reserve's next steps, which could further define the market trajectory for the remainder of 2024.***

U.S – MARKET OUTLOOK

Looking ahead to the week starting Sep 16, 2024, U.S. markets are likely to remain sensitive to key economic data releases and ongoing geopolitical developments.

Key Drivers:

- ***All eyes will be on the Federal Reserve's September 18 meeting, where a 25-basis-point rate cut is widely expected.*** This anticipated rate reduction, the first since 2020, is seen as

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a response to softening inflation and economic growth, highlighted by the recent modest increases in both the Consumer Price Index (CPI) and Producer Price Index (PPI). While inflation has moderated, with the core PPI up just 0.3% in August, concerns remain about the overall economic slowdown, particularly after weaker-than-expected labour market data.

- The market has largely priced in this rate cut, which is expected to boost sectors sensitive to interest rates such as technology and consumer discretionary. Goldman Sachs estimates significant corporate buybacks—potentially \$1 trillion—before companies enter blackout periods for earnings. These buybacks are likely to provide near-term support to stock prices.

Technical Outlook:

- The S&P 500 closed last week 0.7% below its all-time high, while the Nasdaq and Dow Jones also posted robust gains of 5.83% and 2.53%, respectively. Analysts remain bullish for the next few days, with momentum driven by low volatility and strong corporate buyback programs. *The VIX, Wall Street's "fear gauge," has dropped significantly, reflecting investor confidence ahead of the Fed meeting.*
- However, caution is warranted, as historical patterns suggest that the second half of September is typically one of the weakest periods for stocks. After the Fed's announcement, analysts predict increased volatility, with some forecasting a potential market pullback.

Overall Sentiment:

- Investor sentiment for the upcoming week is optimistic but tinged with caution. The expected Fed rate cut is boosting confidence, particularly in growth-oriented sectors like technology, real estate, and consumer discretionary, which tend to benefit from lower borrowing costs. However, with seasonal factors pointing to a typically weak trading period in late September, market participants are bracing for potential corrections.

S&P 500 INDEX – TRADE SETUP

- This week's rally in the S&P 500 (SPX) was strongly influenced by technical factors. On Wednesday morning, the index dropped to a low of 5,406, nearing last Friday's low of 5,402 and coming within 13 points of its 100-day Simple Moving Average (SMA) at 5,393. It then rebounded sharply, gaining 4% from those lows.
- The SPX is now just 0.78% below its all-time closing high of 5,667 from July 16. However, in late August, the index struggled to break past the 5,600-5,650 range, raising the possibility that it may face similar resistance again. ***For now, the SPX is in a holding pattern, awaiting a potential breakout, which could be heavily influenced by the outcome of next Wednesday's FOMC meeting.***
- While there's debate over whether the Fed will cut rates by 25 or 50 basis points, a 50-bp cut would likely boost the index, while a 25-bp cut might lead to a pullback—unless accompanied by dovish guidance, which could still support a bullish outcome. In the short term, the technical outlook points to a potential breakout.

Key Levels

- 5630 – 5650 – 5700: The SPX had a strong resistance at 5630 on daily chart, so a breakout over this will take the index to 5700-5760 levels for the next week.
- 5575 – 5550 – 5400: The first level was the repeated support for later part of the week and the second level would be a strong support for next week. However, any close below 5550 will take the index down to 5400 levels, thereby erasing any gains from the past week.

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S&P 500 Technical Chart – Index entering into an inverted arc pattern after the spectacular rise during mid-week. Prices are slowly tapering off and indicates a slightly positive to sideways market in the short term.



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SHORT-TERM PICKS

Dixon[®]

The brand behind brands

Dixon Technologies (India) Limited

DIXON TECHNOLOGIES LTD.

NSE: DIXON

COMPANY BRIEF

- Dixon Technologies is one of India's leading electronics manufacturing service providers, focusing on a wide range of products such as consumer electronics, home appliances, lighting solutions, and mobile phones. The company has been making significant strides in IT hardware manufacturing, especially through its partnership with HP, which positions it to capitalize on the growing demand in India for electronics and hardware manufacturing.
- Recently, **Dixon's stock price has seen a notable surge**, climbing over 6% in the past week. This bullish movement came after HSBC reiterated a "Buy" rating, raising its target price to ₹14,000. Analysts are optimistic about Dixon's potential due to its scale in mobile and IT hardware production, which could lead to improved operational efficiency and profitability through backward integration.
- Dixon's strong performance is also supported by India's government initiatives, such as the Production Linked Incentive (PLI) schemes, which are expected to further boost manufacturing in the electronics and IT sectors. The company's ability to grow its market share and secure major contracts like those with HP strengthens its long-term growth outlook.
- Despite some fluctuations, Dixon's stock has been a standout in the Indian electronics sector, benefitting from the country's push toward self-reliance in manufacturing. Investors are keeping a close eye on the stock, as it continues to be a top performer in the market with promising growth prospects.



Dixon Technologies - Technical chart for 26SEPCE14000 shows two breakouts, the first one with good volumes and a second one with weak volumes. If the second breakout sustains, the option price can move towards 90-95 levels for a 10-12% upside.

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TECHNICAL ANALYSIS

Upside

- The stock price has been in a descending channel for two days and then broke out with good volumes on Friday with profit booking after that. A second breakout has been observed immediately after. The **26 Sep 14000 CE** has an upside of 10-12% if the volumes sustain on the second breakout. Major technical indicators are all bullish for the stock.

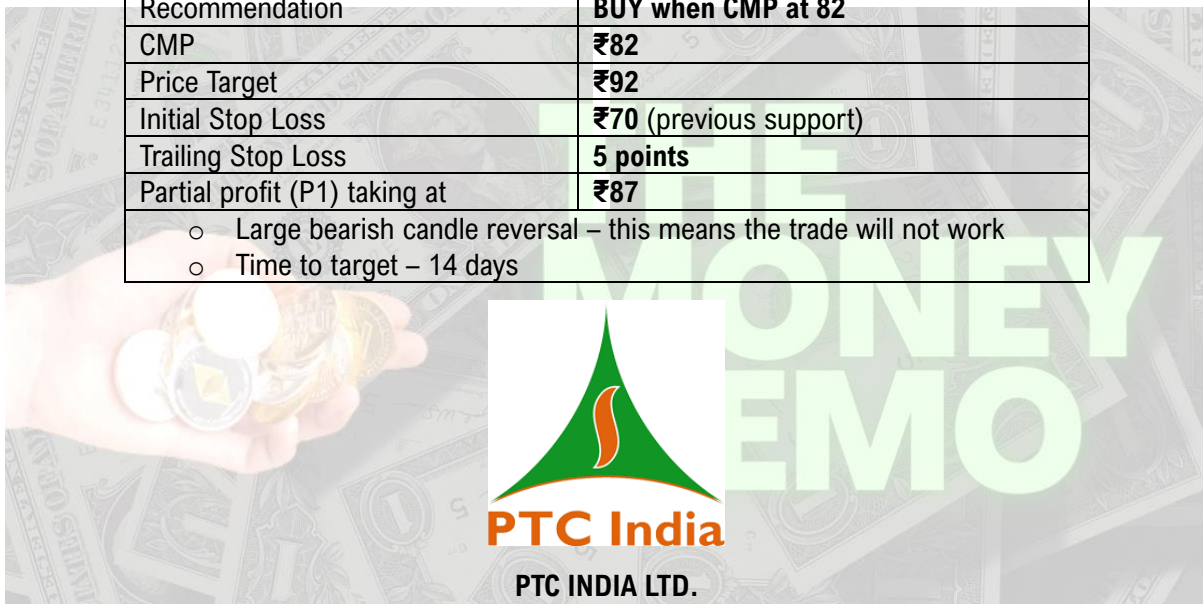
Downside

- The initial stop loss for this trade is at 70 which was the support for the previous fall. Any drop below 73-74 should be monitored and trade exited at the initial stop loss.

Note: This trade is for F&O position only.

TRADE SETUP – FOR F&O POSITION ONLY

Recommendation	BUY when CMP at 82
CMP	₹82
Price Target	₹92
Initial Stop Loss	₹70 (previous support)
Trailing Stop Loss	5 points
Partial profit (P1) taking at	₹87
	<ul style="list-style-type: none"> ○ Large bearish candle reversal – this means the trade will not work ○ Time to target – 14 days



NSE: PTC

COMPANY BRIEF

- PTC India Ltd. is a prominent player in the Indian power trading market, providing electricity trading solutions along with consultancy and energy financial services through its subsidiaries like PTC India Financial Services and PTC Energy. The company plays a crucial role in the Indian power sector, facilitating transactions between power producers and consumers, both domestically and internationally.
- Recently, the company has been in the news for multiple developments. For the June 2024 quarter, PTC India posted mixed financial results. While the company saw a 33.94% rise in net profit to ₹173.90 crore, net sales declined by 3.35% to ₹4,685.59 crore. EBITDA also fell by 14.37%, though earnings per share (EPS) increased to ₹5.87. Additionally, PTC India managed to recover a significant portion of its outstanding dues from Bangladesh, reducing the debt from \$84.5 million to \$79 million by the end of August 2024.
- On the stock front, PTC India's shares have performed well, with a price surge of 62.45% over the past year. As of September 13, 2024, the stock traded at ₹238.23, which is close to its 52-week high of ₹254.60. This surge has been supported by increasing foreign

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institutional investor (FII) interest, with FIIs holding 33.07% of the company's stock by June 2024.

- Despite these positive developments, the stock has seen some volatility, particularly driven by operational challenges and market conditions, which have impacted its financials in previous quarters. Investors remain optimistic, however, as the company continues to maintain strong positions in both domestic and international markets, with robust plans for future growth.



PTC India – The stock has broken out with high volumes and if the breakout sustains can go all the way to previous high of 260 levels.

TECHNICAL ANALYSIS

Upside

- The stock has been in a narrow funnel for almost 6 months setting up for a classic breakout pattern. The same has been confirmed with good volumes as well. If the breakout sustains, the stock can move towards its previous high of 260 levels within a month, giving an upside of 8-10% from current levels.

Downside

- If the breakout does not sustain with the current volumes, then the price will come down to its initial breakout price, which is 220. Hence, a strict stop loss to be kept at this level.

TRADE SETUP – FOR CASH POSITION ONLY

Recommendation	BUY
CMP	₹238
Price Target	₹260
Initial Stop Loss	₹225
Trailing Stop Loss	5 points
Partial profit (P1) taking at	₹250
<ul style="list-style-type: none"> ○ Large bearish candle reversal – this means the trade will not work ○ Time to target – 1 month 	

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LONG-TERM PICK**VA TECH WABAG LTD.**

NSE: VA TECH WABAG

FINANCIAL PERFORMANCE - SNAPSHOT		
Market Cap	₹ 8,725 crores	Excellent room for growth
Price	₹ 1,403	Bullish
Stock P/E	34.9	Good
Book Value	₹ 292	Expensive
Dividend Yield	0.0%	Low
ROCE	19.8%	Good
ROE	20.3%	Very Good
Face Value	₹ 2	High float
Debt-to-Equity	0.16	Excellent
Management Guidance Score*	92/100	Excellent

*Proprietary analysis score awarded after evaluating management guidance commentary over 4 consecutive quarterly con calls

The Management Guidance Score™ is a proprietary scoring system developed by The Money Memo team to gauge the quality of the promoters. We analyse the con call reports of the past four quarters to understand if the management actually kept their word on how the company will perform in the future and grade them.

A high Management Guidance Score™ means the promoters have been achieving their own targets given by them previously to the investors and shareholders and hence a positive indicator for a stock.

WHAT DOES THE COMPANY DO

- **The company is one of the biggest listed players in the water management space, which is an extremely important sector for India's future.**
- VA Tech Wabag is a globally recognized water technology company that specializes in providing cutting-edge solutions for water treatment, wastewater management, and desalination. Founded over a century ago, the company has established itself as a leader in the water sector, focusing on sustainable solutions for municipal, industrial, and infrastructure water needs. Wabag operates with a robust, asset-light business model that emphasizes high technology offerings and long-term operation and maintenance (O&M) contracts. The company's expertise spans water recycling, desalination, and water reuse, catering to clients across sectors such as oil and gas, power, and municipal authorities.

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- The company's business model revolves around two core segments: **Engineering, Procurement, and Construction (EPC)**, which constitutes around 60% of its order book, and **O&M services**, which contribute the remaining 40%. By focusing on long-term O&M contracts, Wabag ensures steady revenue and profit margins while creating greater visibility for future cash flows. Wabag's extensive experience and advanced technological capabilities allow it to handle complex water treatment projects globally. It has executed numerous high-profile projects, such as desalination plants in the Middle East, wastewater treatment plants in Europe, and large-scale sewage projects in India.
- VA Tech Wabag is critically important for India due to the country's ongoing drinking water challenges. With India facing increasing water scarcity and pollution issues, Wabag's solutions are crucial for improving access to clean water, particularly in urban areas where rapid population growth has strained water infrastructure.
- The company has been at the forefront of providing innovative water management solutions, including projects like the 400 MLD desalination plant in Chennai, which addresses the acute water shortage in the region. Moreover, Wabag's expertise in recycling and reusing water is key for India's future sustainability, as the nation strives to meet the demands of a growing population while addressing its water crisis. T
- he company's commitment to clean water technology and its global leadership make it a critical player in India's efforts to secure its water future.

MANAGEMENT GUIDANCE SCORE™ SUMMARY

- VA Tech Wabag has achieved an A grade in our proprietary Management Guidance Score™ (MGS) evaluation, scoring an **impressive 92/100**. This score reflects the company's strong leadership and consistent performance across key metrics, including revenue growth, profitability, and execution on strategic initiatives.
- Wabag has demonstrated solid revenue growth, exceeding its guidance with a 13% YoY increase in Q1 FY25, and significant improvements in profitability with a 23% rise in EBITDA and a 31% jump in PAT. The company's ability to maintain high profitability and efficient operational management has been a key driver of its success.
- Warbag's management has also executed well on its strategic goals, especially in expanding its global footprint. The company's robust project pipeline, including major desalination and wastewater treatment projects, showcases its ability to capitalize on international market opportunities. Its focus on asset-light operations and long-term O&M contracts has helped stabilize margins and improve cash flow visibility. Additionally, the company's strong relationships with key clients and preferred bidder status in projects worth ₹6,000 crore further underline its strong market position.
- Finally, Wabag's management has shown a commitment to transparency and consistent communication with stakeholders, providing clear guidance and updates on project progress. This transparency, coupled with the company's success in global expansion and client retention, underscores the high level of trust investors place in Wabag's leadership. Overall, the company's solid performance across all key metrics justifies its high MGS score and positions it for continued growth in the global water technology sector.

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FUTURE PROSPECTS

- The future prospects of VA Tech Wabag look promising, bolstered by strong financial performance, strategic global expansion, and increasing demand for sustainable water solutions. **The company's stock has already surged over 124% in 2024**, driven by a robust order pipeline, including large desalination and wastewater treatment projects. Analysts project further growth in stock value, with predictions of a 46-50% rise by the end of 2025. Wabag's focus on high-margin, asset-light projects, particularly in international markets like the Middle East and Africa, positions it well for long-term growth.
- Wabag's success in winning major contracts in sectors like municipal and industrial water treatment further supports its growth prospects. The company's expertise in desalination and water reuse technologies places it at the forefront of addressing global water scarcity challenges. Additionally, the company's strong balance sheet, with consistent cash flows from long-term operation and maintenance (O&M) contracts, reduces financial risks and enhances investor confidence.
- Looking ahead, VA Tech Wabag's global strategy of targeting emerging markets, combined with India's growing demand for water infrastructure, solidifies its role as a critical player in the sustainable water sector. The company's ability to tap into government initiatives, such as India's focus on improving water supply and sewage systems, provides further growth opportunities domestically. With a strong management team, solid project execution, and increasing profitability, VA Tech Wabag is poised for sustained stock growth, making it an attractive investment in the water technology space.



VA Tech Wabag – The stock has appreciated 200% or 3x its price within the last one year. The growth has been with good volumes and this steady appreciation is a fantastic indicator for future long term returns.

LONG-TERM INVESTMENT PLAN

- The company has just received a \$317 million contract from the Govt of Saudi Arabia in Sep 2024: <https://shorturl.at/eWG90>. This is a spectacular win and an indicator of things to come for the company in the Middle East, where water is a permanent problem.
- Even in India, water management and treatment is already a huge issue with governments spending millions of dollars to resolve the same. As the sector is very unorganised, a

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company like VA Tech Wabag with its international partnerships, tech and strong balance sheet will do wonders in the long term

- This stock is a perfect play for the investors who care about the environment and want to benefit from the appreciation in stock prices of the company while it does good for humanity and solves one of the most important problems of our time – water.
- From an ESG perspective, VA Tech Wabag's business model is heavily focused on sustainability. The company has executed over 60 desalination plants across 17 countries, and its emphasis on energy-efficient technologies ensures that its operations not only meet but exceed environmental standards. By focusing on projects like these, Wabag significantly contributes to the fight against water scarcity while promoting cleaner, more efficient water production and distribution processes.
- Looking ahead, VA Tech Wabag's stock is expected to appreciate further, as analysts predict a continued rise in share price, driven by the company's growing order book and strategic international contracts. With an anticipated 15-20% revenue growth and new opportunities in emerging markets like the Middle East and Africa, the stock is positioned for sustained long-term growth, particularly as global demand for sustainable water solutions continues to rise.

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