

29<sup>th</sup> April, 2024

To

The Manager - Listing,  
BSE Limited,  
Rotunda Building,  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai - 400 001  
Scrip Code: 543276

The Manager - Listing,  
National Stock Exchange of India Limited,  
Exchange Plaza,  
Bandra Kurla Complex ,  
Bandra (East),  
Mumbai - 400 051  
Stock Code: CRAFTSMAN

Dear Sir/Madam,

**Sub: Intimation of publication of the Financial Results in the newspaper  
as per Regulation 47 of the Securities and Exchange Board of  
India (Listing Obligation and Disclosure Requirements)  
Regulations, 2015:**

We wish to inform you that pursuant to Regulation 47 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the newspaper advertisement published by the Company relating to financial results for the quarter and year ended 31<sup>st</sup> March, 2024 in the English newspaper (The Hindu BusinessLine) and Regional (Tamil) newspaper (Dinamani) on 28<sup>th</sup> April, 2024 are enclosed for your records.

Kindly note that we will also upload this information on the Company's website, at [www.craftsmanautomation.com](http://www.craftsmanautomation.com).

Kindly take the same into your records.

Thanking you.

Yours faithfully,  
**for CRAFTSMAN AUTOMATION LIMITED**

**Shainshad Aduvanni  
Company Secretary & Compliance Officer**

Encl: As above

Craftsman Automation Limited

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123/4, Sangothipalayam Road,  
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Tamil Nadu, India

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CIN NO: L28991TZ1986PLC001816  
GST NO: 33AABCC2461K1ZW

Aarati Krishnan

With the general elections on, the Indian stock markets have paused in their bullish streak to trade sideways lately. But investors don't seem to be happy with this breather. Instead, they are putting every possible indicator under the microscope to see if the market will resume its upward climb.

The most recent indicator to be dissected was the India VIX. In the April 23 session, the India VIX fell from 12.7 to 10.1, a near 20 per cent dip. Many interpreted this as a sign that election-related uncertainty was at an end, with the ruling NDA regime likely to return with a thumping majority. They pointed out that the India VIX fell 30 per cent on May 23, 2019, and 33 per cent on May 16, 2014 – the two previous occasions when general election results were announced. Therefore, the 20 per cent dip ahead of this election result, and the low VIX value of 10, meant that election-related uncertainty is already behind us.

But is this really a correct interpretation of VIX movements? It isn't. To know why, it is useful to understand how the VIX works and to look at history.

#### HOW VIX WORKS

The India VIX (short for India Volatility Index) attempts to measure expected volatility in the Nifty50 over the next 30 days. The calculation of India VIX modelled on the CBOE (Chicago Board of Options Exchange) VIX.

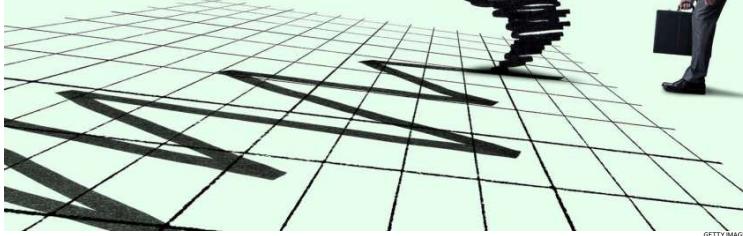
To arrive at the daily VIX value, the exchange takes the forward value of the Nifty from its futures contract and calculates the expected variance in it by using the order book for out-of-the-money Nifty option contracts for the immediate month, and the one after it.

To simplify, the VIX attempts to derive the expected volatility in the Nifty from trades punched in by options traders for differing Nifty levels for the current and next month. The VIX value represents the annualised percentage change expected in the index in the next 30 days.

The calculation methodology reveals three limitations of the India VIX. One, it only captures expected volatility in the Nifty50. During big market moves, broader markets and small- or mid-cap stocks may move at a different direction and at a different pace from the Nifty50. But the India VIX captures the expected volatility only in the Nifty50.

# Don't read too much into the India VIX

**REAL RETURNS.** No, a low VIX does not indicate a positive election result



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#### LIMITATIONS

- India VIX methodology of calculation only captures expected volatility in Nifty50
- Bid-ask quotes can be impacted by build-up or unwind in options contracts
- Sophisticated investors don't call the shots in Indian derivatives market

Two, the bid-ask quotes that go into the VIX calculation can be impacted by volumes and build-up or unwindings of positions in the options contracts that it uses. For instance, some say that the April 23 lull in the VIX occurred because of traders significantly unwinding positions in Nifty options ahead of contract expiry on April 25 and elections thereafter. The VIX also transitions from current-month data to next-month data three days ahead of the monthly expiry, which could have contributed to this move.

Three, and most important, globally volatility indices such as the VIX are seen as good predictors of market moves because derivative markets are dominated by sophisticated investors. In theory, options contracts are supposed to be bought and sold by knowledgeable institutional investors and money managers who like to hedge their portfolios or take directional calls on the market. But in India, the options market is a playground for retail investors and the majority of punters in this market are looking to make

coming market turbulence. One of the biggest market declines in recent years occurred in the initial months of Covid, when the Nifty tumbled 38 per cent from 12,201 points on February 12, 2020, to 7,610 points by March 23, 2020.

The India VIX showed no signs of this impending volatility in the days before this crash. After trading in the range of 14 to 17 from January 1, 2020, to February 19, 2020, it climbed to 25 levels by March 3 — well after the correction began. As the correction continued, it soared to 60-70 levels and further to 83 on the day after the Nifty50 hit rock bottom. Though the next bull phase began by July 2020, the VIX remained elevated and did not subside below 15 until June 2021.

Nor did the VIX transmit SOS before the 2008 market crash sparked by the global financial crisis. The VIX actually dipped from about 40 in November 2007 to 28 on January 5, 2008 — the day when the Nifty50 began its 60 per cent descent from its peak.

The VIX hasn't been a reliable

indicator of potential triggers for the market either. In the month running up to May 23, 2019, when election results showed the NDA returning with a substantially improved vote tally, the VIX traded at an elevated level of 21-29, indicating nervousness about the upcoming results. It subsided to 15-16 levels once the results were out.

All this tells you that you cannot use the India VIX to crystalize future events or market moves. However, the one thing it is really useful for is to gauge the current mood of the market. With the benefit of hindsight, it is clear that extreme fear in the market saw the India VIX shooting up to levels of 70-80. Levels over 80 coincided with market bottoms and were great times to buy stocks. Readings below 20 show the market in a sanguine mood. The recent reading of 10 shows that the prevailing mood is one of complacency, perhaps excessive optimism. Any adverse election result, even one showing the NDA winning with a modest majority, can thus significantly disappoint markets and set off a correction.

a quick buck. Retail investors also like to dabble in out-of-the-money options because they are inexpensive. Whether these investors are really taking a considered or knowledgeable view on the Nifty when purchasing in trades is open to question. This significantly undermines the predictive power of the India VIX.

**WHAT IT SIGNALS**  
Historical trends in the India VIX suggest that it hasn't been all that great at predicting in-

coming market turbulence.

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