



MOST Advisor

Monthly Markets Newsletter

December 2017

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Global Market

Index	30-Nov 17	MoM (%)	YoY(%)
Sensex	33,149	-0.2	24.4
Nifty	10,227	-1.0	24.3
FTSE 100	7,327	-2.2	8.0
Dow	24,272	3.8	26.9
Nasdaq	6,874	2.2	29.1
Hang Sang	29,177	3.3	28.0

Economic Pulse

Key Indicators	Current Mth	Pre. Mth
IIP	3.8%	4.3%
CPI	3.58%	3.28%
10 Year Yield	7.06%	6.86%
USD/INR	64.46	64.74
Crude (\$)	63.57	61.37
Gold (10 gms)	29236	29333

Thought for the month



Key Highlights

- Q2 GDP growth accelerates to 6.3%
- India's sovereign credit rating upgraded to Baa2 by Moody's
- Nifty 2QFY18 PAT growth of 13.4% highest in seven quarters



Dear Investor,

Market in November 2017: Nifty touched new peak in November but later took a breather to close at 10,227 (down 1.1% MoM). Nifty Midcap 50 gained 1.7%, led by robust institutional flows. FIIs bought stocks worth USD3bn, second consecutive month of inflows. DIIs bought stocks worth USD1.4bn in November.

On the macro front, India's Real GDP growth picked up to 6.3% in 2QFY18, up from its three-year low of 5.7% in 1QFY18. India's fiscal deficit for April-October 2017 period reached 96% of FY18 target mainly due to lower revenue collections and rise in expenditure. The government continued with its review and recalibration of GST, with the council reducing tax on 178 items under the highest 28% slab to 18%. Moody's upgraded India's sovereign credit rating to Baa2 from Baa3 and changed the outlook from positive to stable after nearly 14 years. Moody's cited continued progress in the nation's economic and institutional reforms such as GST, Demonetization, Direct Benefit Transfer, Monetary Policy which are expected to drive gradual improvement in India's fiscal metrics. It expects India's GDP to grow at 6.7% in FY18 and 7.5% in FY19.

The 2QFY18 earnings season exhibited improving trend. Re-stocking post GST rollout, retention of input tax credits and the early onset of the festive season supported few B2C sectors, while many corporates sounded optimistic about rural consumption revival, going ahead. Nifty earnings growth of 13.4% was the highest in last seven quarters and was mainly driven by Cyclical.

In Sensex reconstitution, Yes Bank and Indusind Bank will be included while Cipla and Lupin will be excluded w.e.f. 18th December 2017.

Outlook December 2017: Nifty has been consolidating in the 10,000-10,500 band. The 2QFY18 earnings season has formed the base for revival in 2HFY18 and FY19 - which we believe would keep the overall market sentiment positive. Meanwhile, crude has rallied towards the USD60-65 band and can act as a source of worry if prices were to rally further. Outcome of the Gujarat state elections would be a key monitorable.

Siddhartha Khemka
Vice President- Head - Retail Research



Investment Ideas

Bajaj Auto

CMP*: INR 3306

Target: INR 4197

BUY

- ✓ Bajaj Auto is back on the growth path and we expect total volume CAGR of 10% over FY17-20, driven by 15% CAGR in exports, 13% CAGR in domestic 3Ws, and 7% CAGR in domestic motorcycles.
- ✓ EBITDA margin is likely to expand by ~60bp to 20.9% in FY20. Net profit is estimated to grow at 16% CAGR over FY17-20 leading to improvement in RoE to 29% by FY20 (from 27% in FY17). We recommend BUY with a target price of INR4,197.

- ✓ Sadbhav Engineering provides EPC services in the roads, mining and irrigation segments. It also has a strong BOT portfolio of 18 road projects. The company has strong order book of INR77bn and expects revenue growth of 18-20% over FY18-20.
- ✓ We believe that company is well placed to take advantage of the upcoming opportunity in the road sector, given its execution capability, management bandwidth and recent balance sheet improvement. Over FY17-20, we expect 17% revenue CAGR and 16% earnings. We recommend BUY with a target price of INR435.

Sadbhav Engineering

CMP*: INR 380

Target: INR 435

BUY

PC Jeweller

CMP*: INR 395

Target: INR 490

BUY

- ✓ PC Jeweller is India's 2nd largest Jewelry Retailer with a strong brand presence in North and Central India. We see an enormous opportunity unfolding in Indian Jewelry as a result of value migration towards organized players.
- ✓ We expect strong 25-30% growth in domestic business (64% of sales in FY17), resulting in more than doubling of the segment sales over FY17-20. RoCE is likely to improve to 19.5% in FY20, led by increasing store-level sales, profitability as well as higher use of franchisees, making the business asset-light. We recommend BUY with a target price of INR490.

- ✓ Nilkamal is a market leader with ~32% share in the moulded furniture segment. It sells ~1.4mn plastic moulded chairs per annum. The company is expected to benefit from the accelerated shift towards organized Ready Furniture sector due to better aesthetics, design, quality, etc. Further, GST implementation would also aid shift from unorganized to organized segment.
- ✓ The company has free cash flows with very low leverage (D/E of 0.14x FY17). RoE improved from 10% in FY15 to 18% in FY17. We recommend BUY with target price of INR2,215.

Nilkamal

CMP*: INR 1762

Target: INR 2215

BUY

*Data as on 30th November 2017.



Equity Market Outlook

Technical Outlook

- ✓ Nifty index saw a volatile month as the index oscillated between 10094 to 10490 zones. The highlight of the month was the sell-off that the index saw on the last day of November expiry which continued even on the next days. Nifty made a small bodied candle for the month of November which under the context and location suggests rotational action; a sign that the index is taking a pause in the ongoing trend. Nifty traded below the 50 DEMA but as the trend is turned sideways this signal is questionable. Now Nifty has to hold near to 10094, for short term bounce back move.
- ✓ On the news front, the month of November saw better than expected GDP data and this was followed by PMI data which was also encouraging. We are now waiting for RBI monetary policy. Though the street does not expect any radical changes in the rates but the tone of the policy will be watched very carefully.
- ✓ The top performing sector in the November was IT stocks. The Financial services sector index ended with small gains but saw a bit of a sell-off from the highs as several housing finance stocks saw profit booking. Metal sector was a loser as non-ferrous stocks declined sharply from their recent highs.
- ✓ On the weekly scale, Nifty fell down sharply and wiped out the gains of previous two weeks as expiry day blues and jitters on slowdown in economy prompted the sellers to push the index lower. Index is now near to an important support of 10094 which is also a key levels of a rising trend line on Daily and weekly scale. Another interesting development in Nifty is a descending triangle pattern that is readily visible. This is contraction of volatility and a possible continuation pattern. A breakout of the pattern on the upside would mean much higher levels. For the time being the Nifty has resistance at 10178 and a hold above this could see an up move towards 10300 then 10400. While on the downside, a decisive hold below 10094 could mean a decline towards 9980 then 9900 zones.

Strategy- Nifty is near to key support of 10094 and if it is not respected then index could drift towards 10000 then 9900 zones while a hold above 10178 could mean a short term bottom process for an up move towards 10300-10400 zones.

USDINR



Nifty Weekly



Nifty Daily



Sectoral Highlights

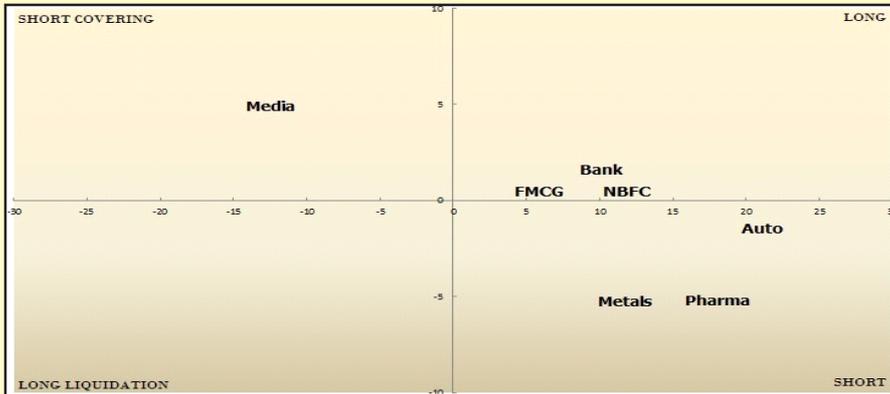
Sector	Our Views	Top Pick	MBP / MSP	TGT / SL
IT	Positive	Mind Tree Ltd	Buy / 553	593 / 533
Auto	Positive	TVS Motors	Buy / 726	768 / 710
Metal	Positive	NMDC	Buy / 133	143 / 128

Note: #Technical view for 1 month perspective



Derivatives Market Outlook

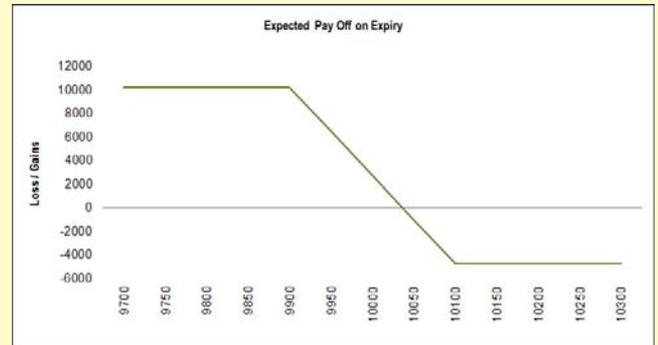
SECTOR OI



Nifty witnessed rollover of 63.28% V/s 3 MA of 66.84%. Bank Nifty witnessed rollover of 55.62% V/s 3 MA of 67.17%. December series started with Open Interest of 17.83mn shares compared to 23.13mn shares seen at the start of November series. Rollovers are lower than its last three month average which suggests that traders are reducing their long bets and expecting some volatility in the market. Overall long built up were seen in Banking, FMCG and NBFC stocks.

- ✓ Auto: Long in M&M and Bharatforg while shorts in Eicher Motor and Ashokley
- ✓ Cement: Long in Dalmia, Shorts covering in ACC and India Cement
- ✓ Banks : Short Covering in Axis Bank, Shorts in Can Bank, PNB and BOB
- ✓ Metal: Long in Jindalstel Shorts in VEDL and Hindalco
- ✓ NBFC: Long in Ujjivan, Manapuram Fin, Shorts in L&TFH, Muthoot Fin and Lichsgfin
- ✓ OIL&Gas: Long in IGL, ONGC and Gail, Shorts in BPCL
- ✓ IT: Long in Hexaware, NIIT Tech and Tataeleksi, Shorts in Wipro

NIFTY - BEAR PUT SPREAD / HEDGE



Buy 1 Lot 10100 PE;
Sell 1 Lot 9900 PE
Stop Loss : 20 Points
Target : 155 Points
Premium Paid : 60

- ✓ Nifty has been making lower highs - lower lows
- ✓ India VIX has recently jumped by more than 16%
- ✓ Fresh Call writing at higher strikes suggests that index may find multiple hurdles near to 10250-10300 zones
- ✓ Thus, a Hedged, Bear Put Spread is recommended

Commodities Market Outlook

Roundup

- ✓ Moody's seemed to be in a good mood and upgraded India's credit rating one notch higher from Baa3 to Baa2, and changed its credit outlook for India from positive to stable following expectation of continued progress on economic and institutional reforms. Moody's has also raised India's long-term foreign-currency bond ceiling to Baa1 from Baa2, and the long-term foreign-currency bank deposit ceiling to Baa2 from Baa3. Equities as well as the rupee have risen since then, but market will be watchful ahead of the Gujarat election that is held this month. Q2 GDP number showed the Indian economy grew 6.3% compared to growth of 5.7% in the previous quarter and ended its five quarter slide.
- ✓ Precious metals ended almost flat in November and have been stuck in a narrow range for the last two months owing to conflicting drivers. The passage of US tax bill coupled with strong growth momentum in the economy kept gold prices capped at higher levels. The selloff in prices was however limited as the investigation into Trump campaigns Russian connection progressed. Geo-political factors also helped prices find support as North Korea test fired its most advanced intercontinental ballistic missile last month. Looking ahead, we believe these factors would continue to keep gold prices tied in a range but the FOMC meeting and the US debt ceiling debate could provide the much needed direction to prices.

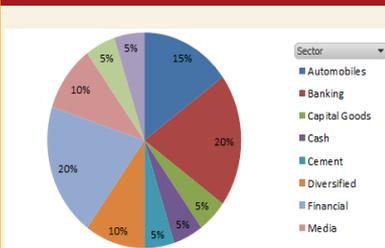


MOST Multi Cap

For Whom : Long Term Investors
Investment Duration : One year and above
Risk Profile : Moderate Investors

Scrip	CMP	Wtg.
HDFC Bank	1854	10
Bajaj Auto	3306	10
HDFC Standard Life	372	5
Yes Bank	307	10
Zee Ent.	568	10
Piramal Enterprises	2774	10
CG Consumer Elec	266	5
Ramco Cement	700	5
PC Jeweller	395	5
Shriram City Union	2051	5
Capital First	702	5
Can Fin Homes	484	5
Granules	128	5
Sterling Tools	382	5
Cash		5
Total		100

Sectoral Allocation



In : Bajaj Auto, HDFC Standard Life Insurance , PC Jeweller
Out : Hero Moto, Dewan Housing, PI Industries

*Data as on 30th November 2017.

We are recommending a MULTI-CAP approach with the following characteristics:

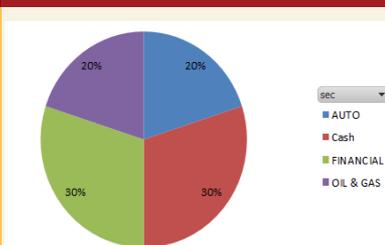
- ✓ Corpus requirement of INR 10 Lakhs
- ✓ 40-50% in Large-cap and 50-60% in Mid-cap
- ✓ 15 companies to invest at maximum, 10 minimum
- ✓ Large-cap stocks are suitable for SIP investments as well
- ✓ Adheres to our QGLP philosophy

MOST Velocity

For Whom : Medium Term Investors
Investment Duration : Few months horizon
Risk Profile : Moderate Investors

Scrip	CMP	Wtg.
Tata Motors Ltd	404	10
RBL Bank Ltd	517	10
Federal Bank Ltd	111	10
LIC Housing Finance	582	10
IOC	394	10
Reliance Ind.	922	10
Eicher Motors	29944	5
Maruti Suzuki	8599	5
Cash		30
Total		100

Sectoral Allocation



In : Reliance Ind., Maruti Suzuki
Out : Dalmia Bharat

*Data as on 30th November 2017.

Investment characteristics

- ✓ Corpus requirement of INR 10 Lakhs
- ✓ Investment Rationale based on TechnoFunda
- ✓ Maximum stocks open : 10
- ✓ Cash holding based on market direction call. Cash to be deployed in case of sharp market falls
- ✓ 10% in a particular Stock and 30% (max) in a Sector



MOST PMS

Value Strategy	India Opportunity Portfolio	India Entrepreneur Portfolio	Next Trillion Dollar Opportunity Strategy
<ul style="list-style-type: none"> • Large Cap Portfolio • Focused portfolio approach • Currently strategy has 18 stocks in its portfolio. • Buy Right & Sit Tight approach to stock investing 	<ul style="list-style-type: none"> • Mid & Small Cap Portfolio • Focus Theme for Next Five year • Investments with Long term perspective. • The portfolio consist of 21 stocks. 	<ul style="list-style-type: none"> • Multi Cap Portfolio • The portfolio consist of 20 stocks. • The Strategy is built primarily on entrepreneur concept. • Investments with Long term perspective. 	<ul style="list-style-type: none"> • Multi Cap Portfolio • The portfolio consist of 24 stocks. • Buy Right & Sit Tight approach to stock investing

Performance since inception

- ✓ Large Cap PMS: VALUE STRATEGY- An amount of 1 cr. Invested in March 2003 is worth INR 25.62 crore (compounded return of 24.69%)
- ✓ Multi Cap PMS: ASK IEP STRATEGY- Amount of 1 cr. Invested in January 2010 is worth INR 4.58 crore (compounded return of 21.4%)
- ✓ Multi Cap PMS: NTDOP STRATEGY- Amount of 1 cr. Invested in December 2007 is worth INR 5.80 crore (compounded return of 19.23%)
- ✓ Small & Midcap PMS: IOP STRATEGY- Amount of 1 cr. Invested in February 2010 is worth INR 3.75 crore (compounded return of 18.46%)

Latest Performance of all PMS (Portfolio Management Services) strategies. (As on 30th Nov. 2017)

Period	IOP	NTDOP	Value	ASK IEP	Nifty Free Float Midcap 100 Index	Nifty Free Float Midcap 100 Index	Nifty	BSE 500
1 Months	3.36	0.74	-1.05	2.7	1.62	1.62	-1.05	0.1
3 Months	6.83	4.82	1.3	5.5	8.85	8.85	3.11	5.3
6 Months	7.26	10.34	5.84	12.2	13.62	13.62	6.29	9.8
1 Year	37.78	31.65	23.9	29.9	33.46	33.46	24.34	29.5
3 Year	35.46	26.04	14.73	21.2	22.54	22.54	13.52	17
5 Year	25.06	23.72	8.94	16.4	17.1	17.1	5.99	9.7
Since Inception	29.42	35.48	20.89	27.2	26.86	26.86	13.44	17.5



New AIF offerings: Motilal Oswal Focused Emergence Fund - (AIF category III)

What is Category III Alternative Investment Fund?

The Indian AIF industry is giving investors a wider platform for investing across asset classes as this is evident from the steady rise in asset across all categories. AIF (category III) invests in tradable securities. Unlike, PMS where minimum ticket size is INR 25 lacs, the minimum investment under AIF is INR 1Cr.

- ✓ This makes suitable for Ultra HNI investors.
- ✓ Investments are staggered, which means investors don't need to put the money in one go.
- ✓ The management fees is between 150 to 175 bps. (1.50% to 1.75%). Which is lower than Mutual Fund expense ratio (2.25% to 2.5%?)
- ✓ There is a performance fee which means fund manager charges fees if the fund performs.
- ✓ Execution & tax aspects are also in favor of AIF investors given the structure.
- ✓ As it will not be available to invest and redeem, this will give the cushion for Fund manager to take call.

Why Motilal Oswal AIF?

- ✓ Investment strategy remains same of BUY RIGHT & SIT TIGHT through QGLP approach.
- ✓ Investment in drawdown (40% of commitment amount at first drawdown), this will help the investor and fund manager to time the market and no need to deploy the amount at Lump sum.
- ✓ Build focused portfolio of 15-20 stocks.
- ✓ Closed end fund of 4 years (with extension of 1 year). Means, Fund manager can extend the tenure of product by maximum ONE YEAR if looks better opportunity to generate returns.
- ✓ As it's a closed end fund, wherein Investment Manager can take long term investment views which helps the investors to ride the complete cycle of the business growth

Key features of new AIF "Motilal Oswal Focused Emergence Fund".

Fund Name	Motilal Oswal Focused Emergence Fund
Structure	Category III Alternative Investment Fund
Fund Tenure	4 years from the Final closing with an option to extend up to 1 year.
Drawdown Period	12 months (60% is expected by March 2018)
Upfront Drawdown	40% of the Commitment Amount.
Sponsor Contribution	5% of the corpus or 10 Cr. Whichever is lower.
Minimum Commitment	B1: Units for a minimum commitment of 1 Cr (and multiple of 1 lacs) B2: Units for a minimum commitment of 5 Crs (and multiple of 1 lacs)
Set Up fee	Up to 2% of the Capital Commitment
Management Fee	B1: 1.75% p.a. of the applicable NAV B2: 1.50% p.a. of the applicable NAV
Performance Fee	B1: 15% of returns over and above the hurdle rate without catch up B2: 10% of returns over and above the hurdle rate without catch up
Hurdle Rate	Post Tax 10% p.a. on an IRR basis
Redemption Frequency	Quarterly, after a lock in of 2 year from Final closing
Exit Load	3% of the NAV for term of investment over 2 year but less than 3 years. 2% of the NAV for term of investment over 3 years.

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