



# MOST Advisor

Monthly Markets Newsletter

June 2017

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## Global Market

Index	31-May 17	MoM (%)	YoY(%)
Sensex	31,146	4.1	16.8
Nifty	9,621	3.4	17.9
FTSE	7,520	4.4	20.7
Dow	21,009	0.3	18.1
Nasdaq	6,199	2.5	25.3
Hang Sang	25,661	4.2	23.3

## Economic Pulse

Key Indicators	Current Mth	Pre. Mth
IIP	2.7%	-1.2%
WPI	3.85%	5.70%
10 Year Yield	6.66%	6.96%
USD/INR	64.5	64.24
Crude (\$)	50.31	51.73
Gold (10 gms)	28839	28887

## Thought for the month



## Key Highlights in May 2017 - New Highs

- Domestic and FII fund inflows unabated
- Q4FY17 results exceed expectations
- Macroeconomic parameters decelerate



Dear Investor,

**Market in May 2017:** Globally equities have raced to new all-time highs. Buoyed by strong domestic and global cues, Nifty soared and closed above 9650, a new all-time high gaining over 0.61% for the week gone by. It's fifth consecutive month of positive returns for headline indices, Nifty delivering around 3.4% in May. Strong domestic liquidity, good earnings

season, progress on GST, and prediction of normal monsoon ensured that the momentum remained intact. Though, Midcaps have underperformed the Nifty for the first time in five months, reflecting the expensive valuations in certain pockets (midcaps trading at 7% premium to large caps). Liquidity remains benign, with FII flows of USD1.5b and Domestic MFs flows also at USD1.5b in May.

Robust Q4FY17 earnings propelled the upward momentum. For the Nifty, sales grew 13.5%, EBITDA grew 4.6%, and PAT grew 15.2% (as opposed to general expectation of around 10%). While the just-concluded earnings season was better than expectations on aggregate, the internals do not suggest strong underlying operating recovery, as yet. Going forward, we note that GST could result in material changes to our current optimistic 17% Nifty earnings growth forecast for FY18. We remain concerned on valuations which appear a bit stretched; Indian equities are trading at a P/E of around 19.7x FY18E earnings, at a 10% premium to the long-period average of 17.3x. Indian equities have gained larger share in global equities pie. Its share in the world market cap now stands at 2.6%, above at its long-term average of 2.4%. Over last 12 months, world market cap has increased 17.6% (USD11.1t); India's market cap has increased 33%.

**Outlook June 2017:** RBI's monetary policy and Monsoon progress will chart trading trajectory in the ensuing month. Broadly, economic macros remain a concern, however, Q4FY17 corporate earnings update reflects green shoots, suggestive of inclusive economic upturn aided by normal monsoons. Nifty band has expanded which suggests a range of 9200 - 9750. Risk reward ratio is in favour of being cautious while picking cherries on corrections.

Dharmesh Kant  
Vice President- Head - Retail Research



## Investment Ideas

### Ramco Cement

CMP\*: INR 724

Target: INR 823

**BUY**

- ✓ The Ramco Cements (TRCL) is one of the top three cement producers in South India with total capacity of 12.5mtpa (0.95mtpa in West Bengal and the balance in the South).
- ✓ With ~12% market share in the south, strong brand recall, dealer network and competitive pricing it is all set to reap benefits of higher demand coming from housing and infra space.
- ✓ We estimate 11% EBITDA and 20% PBT CAGR over FY17E-19E. Based on FY19E per share target price of Ramco comes at INR823.

### Equitas Holdings

CMP\*: INR 157

Target: INR 210

**BUY**

- ✓ With a presence in the MFI business (50% of AUM), Used Commercial Vehicles finance (25%), MSME finance (20%) and Housing finance (5%).
- ✓ Over last five years, EQUITAS recorded a CAGR of 50% in AUM, led by strong traction in MFI business and commencement of new business lines
- ✓ We expect earnings CAGR of 31% over FY17-21, driven by strong AUM CAGR of 27% and operating leverage (from FY19). We expect 600bp+ improvement in C/I to ~58% FY21. RoAs are expected to reduce to 1.9% in FY19 and ROEs to 14.3% in FY21 from ~9% in FY17.
- ✓ BUY with target price of INR210.

### SRF

CMP\*: INR 1,634

Target: INR 1,816

**BUY**

- ✓ SRF is a multi-business entity involved in Technical Textiles (TTB; 45% of FY15 revenue), Chemicals (CB; 28%), and Packaging (PB; 27%).
- ✓ We believe, once the global Agrochem bounces back, SRF will benefit the most as it has got capacities in place and has only improved its R&D prowess over the years.
- ✓ We expect it to post 15% revenue and adj. PAT to register 15% CAGR over FY17-19E. We value the stock on SOTP basis and recommend Buy with a target price of INR1,816.

- ✓ PI boasts of a unique business model-a strong R&D-led custom synthesis business (59% of revenues) build over the last two decades, and an equally compelling domestic agro-chemicals business (41% of revenues), largely built by in-licensing arrangements with major global agro-chemicals innovators.
- ✓ With a strong order book amounting to ~USD1bn, the CSM business has robust revenue visibility, we thus expect 14% revenue/PAT CAGR over FY17-19E.
- ✓ We believe PI is one of the best plays on India's agri sector and CSM opportunities. We value the stock at 25x FY19E earnings and maintain Buy with a target price of INR952.

### PI Industries

CMP\*: INR 819

Target: INR 952

**BUY**



## Equity Market Outlook

### Technical Outlook

- ✓ Nifty index continued its positive move for fifth consecutive month and registered a fresh life time high of 9650 with a monthly surge of 3.40%. On the monthly chart Index made a long green candle suggesting that the bulls are in control and the longer term players are still playing on the long side. The index was held higher lead by a strong rally emerging in the FMCG, Finance and private sector banks. This month we have an important RBI policy meet and market participants will focus on the same, to get the next trigger.
- ✓ On the weekly scale the index witnessed a steady rally and has been making higher top - higher bottom formation. In this week Nifty remained in a range of 100 points and seems to be taking a pause after the swift rally in the previous week. The overall trend on the weekly chart remains positive till it holds above the previous high swing in the 9500-9532 zones while on the upside follow up buying could extend its rally towards 9800 zones.
- ✓ On the daily time frame the index shows some signs of fatigue but the overall trend remains positive. There is a negative divergence between price and the oscillator but still there are no real signs of a reversal in the index as the underlying trend is still very strong. Now if it is sustained below 9580 only then a profit booking could be seen towards 9532 while on the upside index needs to surpass 9635 zone to extend its up move towards the 9700-9750.
- ✓ Bank Nifty outperformed the Nifty index as it gained by 4.77% compared to Nifty gains of 3.40%. Bank Nifty registered a new high of 23469 lead by strong buying in the Private Banking space. This week is very crucial and may turn volatile for Bank Nifty as RBI policy is to be announced during the month. Bank Nifty has major support at 22978 and below that short term trend may turn cautious with the next support at 22750 and 22500 while a hold above 23300 could extend its move towards 23800-24000 zones.

**Strategy-** *The trend is intact, positive till the Nifty and Bank Nifty holds 9532 and 22978 levels respectively. Overall trend is up and the volatility is subdued, so buy on declines is advised. The recent rally could extend and may take a new leg if the upcoming RBI policy is favorable.*

### USDINR



### Nifty Weekly



### Nifty Daily



Detailed report available on- <http://ftp.motilaloswal.com/emailer/Marketdiary/QuantitativeMonthly/MOSTQuantitativeOutlookMonthly-June2017.pdf>

## Sectoral Highlights

Sector	Our Views	Top Pick	MBP / MSP	SL / TGT
Bank	Positive	SBI	Buy / 287	280 / 303
Cement	Positive	Ultratech Cement	Buy / 4198	4085 / 4425

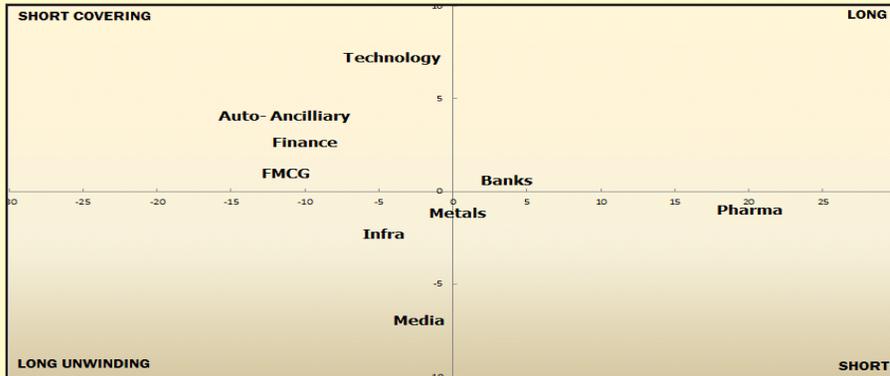
Note: #Technical view for 1 month perspective

Data as on 31st May 2017.



## Derivatives Market Outlook

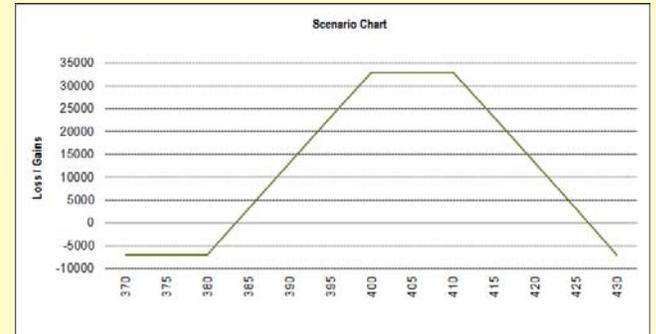
### SECTOR OI



Nifty witnessed higher rollover of 74.09% V/s 3 MA of 69%. Index gained 1.79% sequentially E-o-E. Bank Nifty witnessed below average rollover of 60.60% V/s 3 MA of 68%. Market-wide roll over were in line near to 80%. Overall long built up was witnessed in Banks and selective NBFC stocks, Short covering was seen in Auto and FMCG while short were seen in Pharma, Metals and Capital Goods stocks.

- ✓ **Auto:** Auto sector witnessed rollover of 82%. Long built-up in Escorts
- ✓ **Cement:** Roll of 83%. Long liquidation in Ambujacem and ACC
- ✓ **Banks :** Lower roll of 60.60%.
- ✓ **Infra:** Rollover of 86% Long liquidation in IRB
- ✓ **Metal:** In line rollover at 82%. Long built up in Jindalstel, Short covering in Tatasteel
- ✓ **Pharma:** Rollover of 84%. Long in PEL, shorts in Glenmark, Biocon,
- ✓ **NBFC:** Better rollover of 81%. Longs in Lichsgfin while short covering in Ibulhsgfin.
- ✓ **Oil & Gas:** Rollover of 82%. Long liquidation in Gail while shorts added in ONGC
- ✓ **FMCG :** Long built up in Hindunilvr, Godrecp and Short covering in ITC and Pidilitind

### Arvind- Call Ladder Spread`



Buy 380 CE 1 lot; Sell 400 CE 1 lot; Sell 410 CE 1 lot

Target : INR 15000  
Stop Loss : INR 5000  
Hedge : Buy Future Above 425

- ✓ Arvind has respected its rising support trend line and reversed its down move with the support of 365
- ✓ Highest Put congestion is at 370 & 380 PE could provide support
- ✓ Maximum Call OI is at 400 strike which could restrict its upside momentum.
- ✓ Thus low risk Call Ladder Spread is recommended

## Commodities Market Outlook

### Gold

- ✓ Precious metals saw a very choppy trade last month and gold managed to recoup all the losses made during the month. The downside was protected as safe haven demand remained strong amid geo-political developments and US political uncertainties. On the upside, Fed rate hike expectations in June capped rallies.
- ✓ On the demand side, buying and stocking by Indian jewellers may resume as clarity over GST emerged after it was fixed at 3%. Gold ETF's saw an outflow of 43 tonnes last month, the biggest this year
- ✓ In terms of US economic data, the first quarter has broadly seen mixed set of data and while growth is good, it still doesn't warrant more than 2 further Fed hikes this year. The Q1 GDP grew at 1.2%, the slowest pace in three years as consumer spending disappointed. Inflation has firmed up this year but core PCE isn't growing fast enough to justify any hawkishness by the Fed. Labor market data, while good on the whole, still has room to improve. Wage growth at 2.5% is still a good 100 bps lower compared to pre-recession levels
- ✓ Political uncertainty in the US has also come to the forefront in the last few weeks. The FBI is investigating possible links between Trump's presidential campaign and Russian officials trying to influence the election. Looking ahead, we believe the issue of North Korea and Donald Trump's political challenges will keep the bias for gold bullish through this year. A June rate hike could lead to short-term price correction but the overall emphasis remains on the bullish side

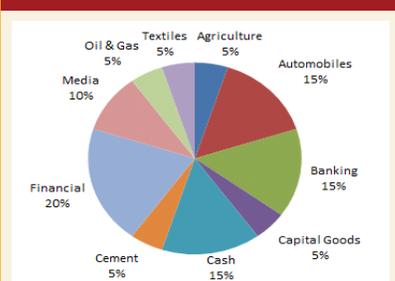


## MOST Multi Cap

**For Whom :** Long Term Investors  
**Investment Duration :** Few months to a year  
**Risk Profile :** Moderate Investors

Scrip	CMP	Wtg.
LIC Housing Fin	734	10
Hero Motocorp	3745	10
Zee Entert.	515	10
HDFC Bank	1636	10
C G Consumer Elec.	223	5
Can Fin Homes Ltd	2714	5
Sterling Tools Ltd	265	5
P I Industries Ltd	819	5
SRF Ltd	1634	5
Shriram City Union	2278	5
Castrol India Ltd	424	5
Equitas Holdings	157	5
Ramco Cements Ltd	724	5
Cash		15
Total		100

### Sectoral Allocation



Returns	3mth	6mth	12mth
MOST Multicap	10.6%	18.0%	43.9%
Sensex	8.4%	16.9%	16.8%
BSE 200	7.9%	17.1%	21.0%

*Absolute returns as on 31 May 2017*

We are recommending a MULTI-CAP approach instead of a MIDCAP approach. The Multi-cap INVESTMENT will have the following characteristics:

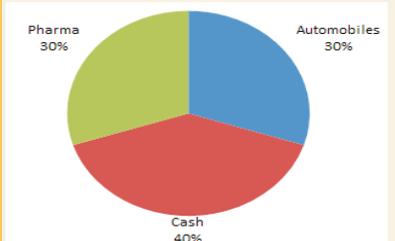
- ✓ Corpus requirement to INR 10 Lakhs
- ✓ 50% in Large-cap and 50% in mid-cap
- ✓ 15 companies to invest in at the maximum, 10 minimum
- ✓ Large-cap stocks are suitable for SIP investments as well
- ✓ Adheres to our QGLP philosophy

## MOST Velocity

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

Scrip	CMP	Wtg.
Aurobindo Pharma	574	15
Lupin Ltd	1161	15
Tata Motors	476	10
M&M Ltd	1417	10
Bharat Forge	1170	10
Cash		40
Total		100

### Sectoral Allocation



Returns	3mth	6mth	12mth
Portfolio	1.2%	15.3%	10.6%
BSE 200	8.2%	19.3%	21.0%

*Absolute returns as on 31st May 2017*

**Investment Norms: INR 10 lakhs (Model Corpus)**

- ✓ Maximum stocks open : 10
- ✓ Target Investment Horizon: 1 Year
- ✓ Cash holding based on market direction call. Cash to be deployed in case of sharp market falls
- ✓ Occasional Hedging by buying options
- ✓ Investment Rationale on every idea is provided
- ✓ 10% in a particular Stock and 30% (max) in a Sector



## MOST PMS

### Value Strategy

- ✓ Inception date: - 25th March 2003.
- ✓ The Strategy aims to benefit from the Long term compounding effect on investments done in good businesses, run by great business managers for superior wealth creation.
- ✓ Value Strategy has the investment style of buying Undervalued stock & Sell overvalued stocks, irrespective of Index Movements.
- ✓ INR 1 Cr invested in Value PMS in March 2003 is worth Rs. 24.20 Crs vs. 9.51 Crs in Nifty 50 as on 31st May 2017, an outperformance of 14.69 Crs.
- ✓ Since its inception, Value Strategy has delivered annualized returns of 25.16% vs. Nifty 50 returns of 17.20%, an outperformance of 7.96% (CAGR).

### NTDOP Strategy

- ✓ Inception date: - 5th Dec 2007.
- ✓ The strategy aims to deliver superior returns by investing in focused themes which are part of the next Trillion Dollar GDP growth opportunity. It aims to predominantly invest in Mid Cap stocks with a focus on Identifying Emerging Stocks/Sectors.
- ✓ In last 1 year, strategy has delivered a return of 37.21% CAGR vs. NIFTY Free float Midcap 100 is 31.73% CAGR i.e., NTDOP has delivered an alpha of 5.48%.

### India Opportunity Portfolio Strategy

- ✓ Inception date: - 15th Feb 2010.
- ✓ The Strategy aims to benefit from the long term compounding effect on investments done in good businesses, run by great business managers for superior wealth creation.
- ✓ In last 1 year, IOP Strategy has delivered a returns of 64.99% vs Nifty Free Float Midcap 100 returns of 31.73%, i.e. delivered an alpha of 33.26%
- ✓ Focus Theme for Next Five year: REVIVAL IN CAPEX CYCLE | MAKE IN INDIA | THIRD TRILLION DOLLAR OPPORTUNITIES
- ✓ Investment Approach: Buy & Hold
- ✓ Investments with Long term perspective
- ✓ Maximize post tax return due to Low Churn

All the above figures are of a model client. Returns shown above are calculated on NAV method "Returns shown above are post fees & expenses". Past performance may or may not be sustained in future.

### Top Holdings in Value Strategy

Scripts	% Holdings
HDFC Bank Ltd.	11.81
HDFC Ltd.	11.80
Kotak Mahindra Bank Ltd	10.70
Bharat Petroleum Corpn. Ltd	8.94
Bosch Ltd.	8.46

Sector Allocation	% Holdings
Banking & Finance	34.31
Auto & Auto Ancillaries	27.68
Oil and Gas	8.94
FMCG	7.25
Infotech	5.46

### Top Holdings in NTDOP Strategy

Scripts	% Holdings
Kotak Mahindra Bank Ltd	11.36
Voltas Ltd.	8.46
Bajaj Finance Ltd	7.21
Eicher Motors Ltd.	7.19
Page Industries Ltd.	6.27

Sector Allocation	% Holdings
Banking & Finance	32.25
Auto & Auto Ancillaries	16.79
FMCG	14.10
Diversified	13.11
Oil and Gas	7.88

### Top Holdings in IOP Strategy

Scripts	% Holdings
Development Credit Bank Ltd	13.94
Birla Corporation Ltd.	11.37
AEGIS LOGISTICS LTD	8.65
QUESS CORP LTD	7.31
Canfin Home	6.42

Sector Allocation	% Holdings
Banking & Finance	27.26
Cement & Infrastructure	14.73
Oil and Gas	13.75
Consumer Durable	11.70
Pharmaceuticals	10.63

Data as on 31st May 2017.



## ASK IM's Indian Entrepreneur Portfolio (IEP)

As the golden mean of the two investment styles Concentrated Investing & diversified Investing, we recommend a focused portfolio approach. Because, this offers the best of both world- adequate risk diversification & meaningful return magnification. With Motilal Oswal AMC PMS we are introducing ASK Investment Manager Pvt Ltd. PMS also to you

### WHY ASK Investment Manager Pvt Ltd.:-

- ✓ The Company founded in 1983 by Asit & Sameer Kotichand. So, the company has 34 years of rich experience in Investment Manager.
- ✓ In 2001 the company launched its FIRST PMS, which makes it the veteran PMS provider in the industry. ASK IM was the first to launch PMS in 2001, and currently managing the asset of Rs. 10,900 Cr. AUM (approx.).
- ✓ PMS is the core business of ASK wherein 12 member investment management team & board member focus only on building PMS strategy.
- ✓ Over and above this, Mr. Bharat Shah Executive Director ASK IM (ex-CIO of Birla MF) who has rich experience of more than 3 decades in managing public money and building strong investment strategy.

### Indian Entrepreneur Portfolio:

- ✓ The strategy is built on entrepreneur concept wherein everybody can connect with the concept. The strategy is market cap agnostic and builds portfolio which has companies which have more than 25% promoter holdings, high ROCE & high non-dilutive compounded EPS. Identify business with competitive advantage that is significant sized (min. 100 Cr. PBT).

### Performance snapshot of the portfolio:-

	1 year	2 years CAGR	3 years CAGR	4 years CAGR	5 years CAGR	6 years CAGR	7 years CAGR	Since Inception CAGR
IEP	21.5%	10.8%	26.8%	27.5%	27.3%	21.6%	21.1%	21.1%
BSE 500	22.7%	9.4%	12.7%	15.4%	16.0%	10.5%	10.0%	9.7%
Nifty	17.9%	6.8%	10.0%	12.6%	14.3%	9.6%	9.5%	9.3%

### Key Highlights of IEP Portfolio:

- ✓ IEP is the single largest portfolio in the country within the Discretionary Equity PMS Industry with INR 5,712 cr of Total Client Assets under Discretionary and Advisory Portfolios as on 31st May 2017.
- ✓ As on 31st May 2017, 1 crore invested in IEP in Jan 2010 is worth 4.09 cr vs 1.98 cr if invested in BSE 500 post fees and expenses.
- ✓ IEP has outperformed Nifty50 25 out of 28 quarters i.e. an outperformance every quarter 89% of the time.
- ✓ Since inception i.e. Jan 2010, IEP has compounded 21% vs 10% for BSE 500 i.e. a compounded outperformance of 11%.
- ✓ Since inception IEP is No 3 performing equity strategy when compared among all diversified equity funds.
- ✓ IEP has also been effective in protecting the downside in tough market conditions. Apart from FY17, during the worst downfalls of the market in each of the 6 completed financial years, IEP has fallen less than its benchmark.
- ✓ Since inception, IEP has also exhibited lower volatility (as measured in terms of standard deviation) when compared with the benchmark BSE 500 on a consistent basis.
- ✓ Superior Risk Adjusted returns measured by Sharpe Ratio since inception.
- ✓ One of the lowest churn portfolios i.e. Average churn of 0.35 - 0.40 each year for last 6 Financial Years (considering one of the representative portfolios).
- ✓ Since inception (i.e. 25th Jan 2010), the portfolio beta has been 0.72 vs BSE500 and 0.64 vs Nifty..

Note: Performance is as on 31st May 2017 & figures are net of all fees and expenses.

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- |   |    |
|---|----|
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| 2. Served as an officer, director or employee | No |

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