



# MOST Advisor

Monthly Markets Newsletter

November 2017

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## Global Market

Index	31-Oct 17	MoM (%)	YoY(%)
Sensex	33,213	6.2	18.9
Nifty	10,335	5.6	19.8
FTSE	7,493	1.6	7.8
Dow	23,377	4.3	28.9
Nasdaq	6,728	3.6	29.7
Hang Sang	28,246	2.5	23.2

## Economic Pulse

Key Indicators	Current Mth	Pre. Mth
IIP	4.3%	1.2%
CPI	3.28%	3.36%
10 Year Yield	6.86%	6.66%
USD/INR	64.74	65.28
Crude (\$)	61.37	57.54
Gold (10 gms)	29333	29692

## Thought for the month



## Key Highlights

- Nifty hits fresh life time highs
- Most of the sectorial indices rallied
- Bulls got charged up on Recapitalization plan



Dear Investor,

**Market in October 2017:** Nifty index witnessed a historic month as it scaled up previous peak of 10178 and promptly rallied to hit a new life time high at 10385. Index closed the month with the decent gains of 5.58% in line with the positive Global sentiment.

Government took a radical step in announcing the recapitalization plan for PSU Banks which generated lot of positive sentiment for the segment and overall market. The RBI policy during the first week of the month also resulted in cutting SLR.

Geo-political tensions were subdued and market has seen all round Bullishness for individual sectors as the rally was fairly broad based.

So far, 2Q'18 results have been in line with expectation in which private sector Banks and NBFC have delivered better than expectation while negative surprise is seen from selective Pharma and Oil Marketing Companies.

FII sold worth INR 7826 Cr. in equity markets for the October month whereas DII bought worth INR 10091 Cr. DIIs are continuously buying from last seven months and poured more than INR 73000 Cr. in CY17.

INR has appreciated from its high of 65.66 to 64.75 and it is supporting to overall bullish market sentiment.

**Outlook November 2017:** Nifty has been making higher highs - higher lows from last ten consecutive months and if this formation is negated then only medium term trend could take a halt else momentum is likely to extend for fresh highs.

Nifty has given the consolidation breakout from its broader trading range of 9685 to 10178. So now till it holds above 10178 zones, rally can extend towards 10550-10600 and even higher levels, while on the downside immediate support is seen at 10250 levels.

Chandan Taparia



## Investment Ideas

### Dabur India

CMP\*: INR 333

Target: INR 395

BUY

- ✓ Dabur India is the second largest FMCG company in India, in terms of Product portfolio. Rural outlook seems to be buoyant and Dabur is likely to report faster growth in rural sales compared to urban sales. The much-vaunted earnings revival in the sector appears poised to come through, and rural dependent plays are likely to be at the vanguard.
- ✓ With expected EPS CAGR of ~18% compared to less than 12% CAGR over FY14-17, current valuation is attractive. Hence we recommend BUY with PT of INR395.

### Capital First

CMP\*: INR 755

Target: INR 925

BUY

- ✓ CAFL is a non-deposit-taking NBFC focusing largely on retail lending. It offers loans to small and medium business enterprises, 2W/CD loans, and also home loans via its subsidiary Capital First Home Finance. While the company has grown its AUM at 26% CAGR over FY12-17, it has not compromised on asset quality.
- ✓ We expect significant margin improvement and stable asset quality to drive RoA/RoE improvement from 1.6%/12% in FY17 to 1.9%/17% in FY20. We recommend BUY with PT of 925

### PI Industries

CMP\*: INR 821

Target: INR 890

BUY

- ✓ With the industry witnessing signs of a global agchem revival, we believe PI is well braced to leverage its strong order book and aid growth, with continuous commercialization of new products (3-4 products expected per year). FY18 is expected to be a back-ended growth year, with improvement largely expected in the quarters to follow.
- ✓ We remain positive on the company and value the stock at 25x FY19E EPS. Recommend BUY with PT of INR890

- ✓ PNBHF continues to deliver strong growth in its loan book. Increasing geographical spread and new branch openings (110 branches in FY20E v/s 66 in FY17) are expected to result in the loan book growing to ~INR1t by FY20 (37% CAGR). With the pace of investments slowing down, coupled with operating leverage benefits kicking in, the expense ratio is set to decline meaningfully.

- ✓ We expect PAT CAGR of 41% over FY17-20E. Recommend Buy with a PT of INR1,750

### PNB Housing Finance

CMP\*: INR 1,423

Target: INR 1,750

BUY

Data as on 31st October 2017.



## Equity Market Outlook

### Technical Outlook

- ✓ Nifty witnessed a historic month as the index scaled its previous peak and promptly rallied to make a new life time high at 10385. The price movements of Nifty in last four months do have a significant implication as it's bullish rising three methods. This is a continuation pattern and it meant that the consolidation phase is a pause in the massive up move that we are in since January of this year. The uncertainty prevalent in last three months is now getting resolved as the buyers seem to be appearing in full force. The pattern also indicates that the bulls who are of a long term nature are now readying for more upsides in the Indian market. Nifty also traded above the 50 DEMA and the average has also started to trend upwards signifying that the underlying trend in the market is strong.
- ✓ On the news front, Government took a radical step in announcing the recapitalization plan for banks. This generated a very optimistic change in sentiment for the PSU Banks and overall markets. The RBI policy during the first week of the month also resulted in RBI cutting the SLR. Geo-Political tensions were subdued during the month. It was all round bullishness for individual sectors as the rally was fairly broad based. The top performer was the Nifty Auto and Energy index, Bank Nifty also performed well while Pharma sector was a gainer but not a spectacular performer. Concluding the market rally this month was broad based with most sectors performing in line with the overall market sentiment. The breadth is good and this is a good sign to extend this momentum going forward.
- ✓ Nifty managed to give consolidation breakout above 10178 and base is continuously shifting higher. Option activity for November series suggests 10200 as an immediate support with fresh Put writing at 10200 followed by 10000 strikes while 10500 zones could emerge as a hurdle depicted by highest Call OI concentration. PCR OI moved up from 1.20 to multi year high of 1.68 during the series and at the same time index also rallied well. Overall rising Put Call Ratio with falling volatility suggests bullish bias of the market.

**Strategy-** Nifty is in a sharp uptrend and now it needs to hold above 10300 for a rally towards 10500-10550. A hold above 25198 is required in Bank Nifty for a rally of 500-750 points to support the overall indices to head to higher levels.

## Sectoral Highlights

Sector	Our Views	Top Pick	MBP / MSP	TGT / SL
Textiles	Positive	SRF	Buy / 1689	1810 / 1630
Pharma	Positive	Cadila HC	Buy / 503	550 / 480
NBFC	Positive	Bajaj Finance	Buy / 1800	1980 / 1750

Note: #Technical view for 1 month perspective

### USDINR



### Nifty Weekly



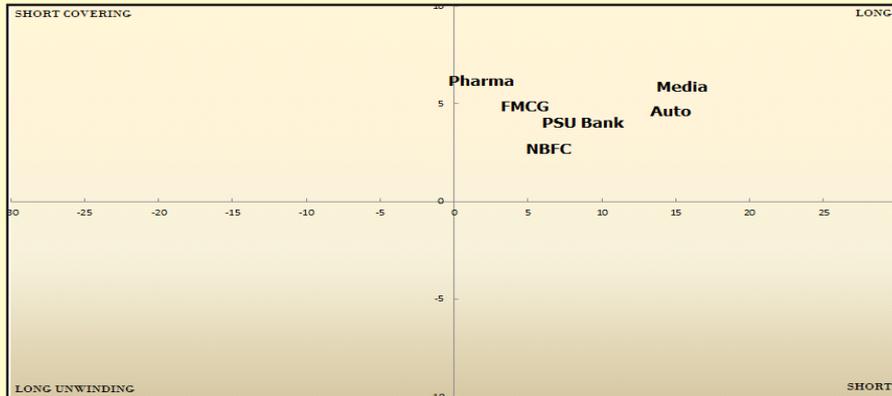
### Nifty Daily





## Derivatives Market Outlook

### SECTOR OI



Nifty witnessed rollover of 72.69% V/s 3 MA of 65.41%. Index closed positive with the gains of 5.88% on expiry to expiry basis. Bank Nifty witnessed rollover of 68.63% V/s 3 MA of 69.67%. November series started with Open Interest of 23.13mn shares compared to 20.53mn shares seen at the start of October series. Nifty made a new high of 10355 in the October series and registered the highest expiry to expiry gains in last 19 series. Overall long built up were seen in Pharma, Auto, Banks, FMCG and Media stocks.

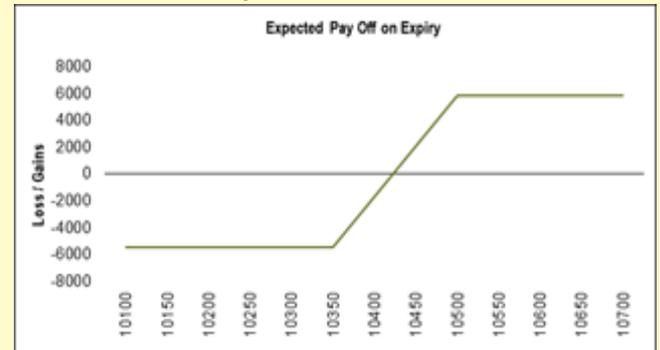
- ✓ Auto: Long in Tvs motor, Maruti and Bajaj Auto while shorts in Amar Raja Battery
- ✓ Cement: Long in Ultracem, Short covering in Dalmia Bharat, ACC and Grasim
- ✓ Banks : Long in Federal Bank, PNB while covering in SBIN, Can Bank and ICICI Bank
- ✓ Metal: Long in Hindalco, National Alum, Short covering in SAIL and Jindal steel
- ✓ OIL&Gas: Long addition in Gail, Castrol, Short covering in Hindpetro, BPCL and IOC
- ✓ IT: Long addition in KPIT, Hexaware, Tata Elxsi while short covering in NIIT Tech

## Commodities Market Outlook

### Cruide Oil

- ✓ Oil prices registered a second consecutive monthly gain in October with Brent trading near two-year highs as fundamentals continue to improve. Demand growth continues to outpace supply growth and the OPEC's resolve to limit supplies is finally bearing fruit
- ✓ OPEC oil output fell by 80,000 bpd to 32.78 mbpd in October and overall compliance touched 92%. Russia has also reduced its oil output by around 317,000 bpd from 11.24 million bpd in Oct 2016. We believe OPEC's compliance would remain high going forward and help continue the rebalancing process.
- ✓ US output on the other hand is back near its pre-hurricane levels and remains elevated in y/y comparisons. The growth in production however seems to have plateaued if the rig count is an indication. US oil rig count fell for a third month in a row in October.
- ✓ On the inventory side, US oil inventories fell by 10 million barrels last month and are now 6.2% lower compared to the same period last year. US oil stocks have declined by 80 million barrels since March this year. Global oil stocks likely decreased in Q3 for only the second time since oil prices crashed in the middle of 2014
- ✓ Considering that inventories are edging lower, demand remains strong and supply flat, we expect the medium term outlook for oil to remain positive. A test of \$60 for the WTI is likely over the coming months.

### NIFTY - Bull Call Spread



Buy 1 Lot 10350 CE,  
Sell 1 Lot 10500 CE

Stop Loss : 40 Points  
Target : 135 Points

- ✓ Nifty has recently given a range breakout above 10250 zones
- ✓ Positive momentum with buying in most of the sectors
- ✓ OI band is shifting higher with maximum Call OI at 10500 strike
- ✓ Thus, low risk Bull Call Spread is recommended

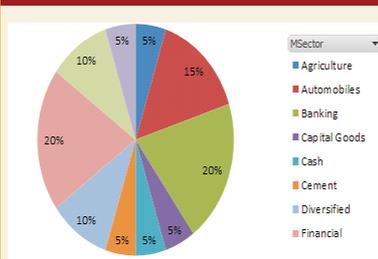


## MOST Multi Cap

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

Scrip	CMP	Wtg.
Hero Motocorp	3850	10
Zee Entert.	542	10
HDFC Bank	1809	10
Piramal Enterprises	2748	10
Yes Bank Ltd	314	10
CG Consumer Elec.	221	5
Can Fin Homes Ltd	480	5
Sterling Tools Ltd	270	5
P I Industries Ltd	821	5
Shriram City Union	2306	5
Capital First	755	5
Ramco Cements Ltd	718	5
DHFL	643	5
Granules India	140	5
Cash		5
Total		100

### Sectoral Allocation



In : NA  
Out : SRF

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

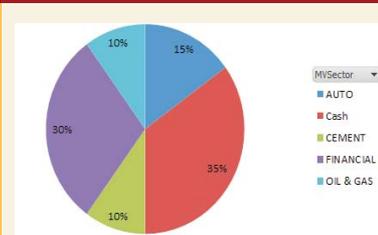
- ✓ Corpus requirement at INR 10 Lakhs
- ✓ 50% in Large-cap and 50% in mid-cap
- ✓ 15 companies to invest at maximum, 10 minimum
- ✓ Large-cap stocks are suitable for SIP investments as well
- ✓ Adheres to our QGLP philosophy

## MOST Velocity

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

Scrip	CMP	Wtg.
Tata Motors Ltd	428	10
Eicher Motors Ltd	32233	5
RBL Bank Ltd	525	10
Federal Bank Ltd	122	10
LIC Housing Finance	599	10
Dalmia Bharat Ltd	2992	10
IOC	416	10
Cash		35
Total		100

### Sectoral Allocation



In : IOC  
Out : Ultratech Cement,  
Jindal Steel & Power

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	India Opportunity Portfolio	India Entrepreneur Portfolio	Next Trillion Dollar Opportunity Strategy*
<ul style="list-style-type: none"> <li>• Large Cap Portfolio</li> <li>• Focused portfolio approach</li> <li>• Currently strategy has 15 stocks in its portfolio.</li> <li>• Buy Right &amp; Sit Tight approach to stock investing</li> </ul>	<ul style="list-style-type: none"> <li>• Mid &amp; Small Cap Portfolio</li> <li>• Focus Theme for Next Five year</li> <li>• Investments with Long term perspective.</li> <li>• The portfolio consist of 20 stocks.</li> </ul>	<ul style="list-style-type: none"> <li>• Multi Cap Portfolio</li> <li>• The portfolio consist of 20 stocks.</li> <li>• The Strategy is built primarily on entrepreneur concept.</li> <li>• Investments with Long term perspective.</li> </ul>	<ul style="list-style-type: none"> <li>• Multi Cap Portfolio</li> <li>• The portfolio consist of 24 stocks.</li> <li>• Buy Right &amp; Sit Tight approach to stock investing</li> </ul>

### Performance since inception

- ✓ LargeCap PMS:- VALUE STRATEGY- An amount of 1 cr. Invested in March 2003 is worth INR 25.91 crore (compounded return of 24.94%)
- ✓ Multi Cap PMS:- ASK IEP STRATEGY- Amount of 1 cr. Invested in December 2007 is worth INR 4.48 crore (compounded return of 21.3%)
- ✓ Multi Cap PMS:- NTDOP STRATEGY- Amount of 1 cr. Invested in December 2007 is worth INR 5.76 crore (compounded return of 19.32%)
- ✓ Small & Midcap PMS- - IOP STRATEGY- Amount of 1 cr. Invested in February 2010 is worth INR 3.63 crore (compounded return of 18.17%)

Latest Performance of all OUR THREE PMS (Portfolio Management Services) strategies. (As on 31st Oct. 2017)

Period	IOP	NTDOP	Value	ASK IEP	Nifty Free Float Midcap 100 Index	Nifty Free Float Midcap 100 Index	Nifty	BSE 500
1 Months	1.9	4.17	4.87	3.3	8.12	8.12	5.59	6.4
3 Months	1.73	3.95	1.99	3.1	5.75	5.75	2.56	4.2
6 Months	7.45	11.8	9.92	8.9	8.25	8.25	11.08	11.6
1 Year	21.92	18.89	17.32	15	23.04	23.04	19.82	21.9
3 Year	26.35	27.18	12.01	17.9	18.25	18.25	7.49	11
5 Year	23.88	32.24	17.46	26.7	20.32	20.32	13.18	15.3
Since Inception	18.17	19.32	24.94	21.3	13.75	8.82	17.24	10.5



## New PMS offerings: Invesco India DAWN Portfolio

Invesco Asset Management (India) has an average asset base of over INR 32,783.9 Cr.\* across Mutual Funds, PMS and offshore advisory mandates. It offers expertise across equity, fixed income & gold investments with the aim of serving the investment needs of domestic and global investors (individuals, corporates & institutions). This includes a broad range of best-in-class investment products across asset classes, regions & risk spectrum, coupled with high standards of customer service. (\*For quarter ending September 2017.)

Invesco Limited is one of the world's largest leading independent global investment management firms

- ✓ US\$858.3 billion in assets under management around the globe.
- ✓ Specialized investment teams managing investments across a wide range of asset classes and investment styles.
- ✓ Nearly 7,000 employees worldwide.
- ✓ On-the-ground presence in more than 20 countries, serving clients in more than 120 countries.
- ✓ Publicly traded on NYSE, S&P 500 constituent; market cap of more than US\$ 14 billion

\*Source: Invesco data as on June 30 2017

### Investment Objective:

To generate capital appreciation by investing in companies available at reasonable valuations

- D** Demand recovery across cyclical & consumer discretionary sectors
- A** Attractive valuation to provide margin of safety
- W** Winning companies on the cusp of a new demand cycle leading to operating & financial leverage efficiencies
- N** New credit & investment cycle to provide a boost to earnings recovery

### Investment Strategy:-

- ✓ Exposure to sectors and stocks whose earnings are expected to improve due cyclical recovery
- ✓ Emphasis on mean reversion & value style investing, with focus on companies with quality business models & management
- ✓ Allocation to companies which exhibit operating & financial leverage, exposure to under owned companies
- ✓ Bottom up stock picking approach without bias towards market cap or sector

### Portfolio Construct:-

- ✓ Maximum exposure per stock restricted to 10% at time of initial investments
- ✓ Concentrated strategy of 15 -25 companies

### Current Investment Opportunity

- ✓ Cyclical recovery sectors: Financials, Industrials, Consumer Discretionary
- ✓ Under owned sectors for Value style investing: Pharmaceutical, Information Technology

Top 3 Portfolio Holdings		Top 3 Sectors	
Stock Allocation	%of Assets	Sector Allocation	%of Assets
ICICI Bank Ltd.	6.59	Industries	17.88
Reliance Industries	6.26	Financials	17.24
Inter Globe Aviation Ltd.	4.69	Consumer Discretionary	9.98
Market Cap		Portfolio Fundamental	
Sector Allocation	%of Assets	Price to Earnings	26.17
Large Cap	31.68	Earnings per Share	32.8
Mid Cap	42.52	Price to Book	5.32
Small Cap	6.55	Return on Equity	20.3%

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