



# MOST Advisor

Monthly Markets Newsletter

September 2017

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## Global Market

Index	31-Aug 17	MoM (%)	YoY(%)
Sensex	31,730	-2.4	-2.8
Nifty	9,918	-1.6	-1.8
FTSE 100	7,431	0.8	0.9
Dow	21,948	0.3	0.3
Nasdaq	6,429	1.3	1.6
Hang Sang	27,970	2.4	2.8

## Economic Pulse

Key Indicators	Current Mth	Pre. Mth
IIP	-0.1%	1.7%
CPI	2.36%	1.54%
10 Year Yield	6.52%	6.47%
USD/INR	63.9	64.18
Crude (\$)	52.38	52.65
Gold (10 gms)	29456	28513

## Thought for the month



## Key Highlights

- Market took breather near to 10K
- Bulls worried over Geo political concerns amid spike in volatility



### Dear Investor,

**Market in August 2017:** The Asian markets were mixed for the month of August as they seemed to be directionless. The rise in global risks and uncertainties weighed on the markets. Indian indices failed to continue their up move and took a pause near to its psychological 10000 mark. The benchmark Nifty index

registered a new high of 10138 in the month of August 2017 but bears were keeping a tough fight for most part of the month. Nifty Metals and Energy indices hit their multiyear highs by their continuous outperformance.

Nifty had biggest weekly fall of ~3.50% in this month since November 2016 (post demonetisation), but bulls managed to hold its losing ground by half of the recovery in last three weeks. Index managed to hold its gains for last three consecutive weeks ignoring weak Q1'18 GDP data which came at 5.7%, slowest in last 3 years due to disruption caused ahead of GST rollout in July 2017.

FII's sold equities worth INR16000 Cr. for the August month which was totally absorbed by DIIs who bought worth INR16000 Cr.

Geopolitical tension got released between India and China while North Korea test fired missile in Pacific Ocean which reignited global tension. RBI cut repo rate by 25 basis points to 6% in its last monetary policy which was in line with the expectation. Lending rate cuts are crucial to economic growth recovery and banks should lower rates by 25 bps before the start of the busy season in October to accelerate reforms momentum.

INR is in a trading range for last several weeks in between 63.70 to 64.40. Overall INR has been stable and slowly appreciating which has a positive implication.

**Outlook September 2017:** For the month of September, easing of geopolitical issues could give relief to Global and Indian indices. Nifty index got stuck in a broader range of 9750 to 9980 zones from last four weeks and requires a decisive range breakout to start the next leg of rally. Bulls and bears both are fighting hard near to 9880 zones; however decline is being bought in the market, but absence of follow up buying is keeping the upside restricted. A decisive hold above 9980-10020 zones could start the fresh move towards its life time high of 10138 then 10250 while below 9775 only trend would turn to negative on medium term perspective.

Chandan Taparia



## Investment Ideas

### Trident

CMP\*: INR 99

Target: INR 114

BUY

- ✓ Trident is one of India's leading diversified group of businesses into manufacturing of integrated home textile (bed and bath linen) and wheat straw-based paper.
- ✓ In FY17, the Home Textile business contributed 82% of its overall revenue, while Paper accounted for 18%.
- ✓ The rising share of copier paper (60% in FY17) is expected to lead to Paper business margin expansion of 340bp to 38% in FY20. We estimate a CAGR of 9% in sales and 24% in PAT over FY17-20, with improving RoCE and RoE (from 7.5% and 13% in FY17 to 13% and 17.1% in FY20, respectively) and value it at price target of INR114.

### Piramal Enterprise

CMP\*: INR 2,714

Target: INR 3,044

BUY

- ✓ Piramal Enterprises (PIEL) has carved a niche for itself in wholesale lending, and is now one of the dominant players in most of the segments in which it operates.
- ✓ We expect a 40% loan CAGR in the NBFC business. The Pharma business has demonstrated strong growth and improvement in profitability in recent years.
- ✓ PIEL has the distinction of being one of the few companies in India to generate 25%+ book value CAGR over past 25+ years.
- ✓ We use SOTP to arrive at FY19 based target price of INR3,044 and FY20 based target price of INR3,813

### CESC

CMP\*: INR 1,015

Target: INR 1,360

BUY

- ✓ CESC is the oldest integrated power utilities in India with presence in mining, generation, and distribution of power. It has presence in retail business "Spencer" which has ~1.17msf area under operations.
- ✓ The demerger into four separate businesses would drive value by unlocking the potential of the distribution and retail businesses.
- ✓ Distribution business valuation will get re-rated on reduced volatility in earnings, and thus, its cost of equity and Spencer will command better valuation after expected turnaround in FY18.

The appointed date for demerger is 1 October, and listing is likely in 4QFY18. The SOTP value is INR1,360/sh

- ✓ Founded in 2012 via management buyout of an existing NBFC, Capital First (CAFL) is a non-deposit-taking NBFC focusing largely on retail lending.
- ✓ CAFL is a niche play in the retail NBFC space with a diversified loan portfolio and high growth potential.
- ✓ We expect significant margin improvement and stable asset quality to drive RoA/RoE improvement from 1.6%/12% in FY17 to 2%/17% in FY20. We recommend Buy with a TP of INR925 (3.0x FY19E BVPS).

### Capital First

CMP\*: INR 723

Target: INR 925

BUY



## Equity Market Outlook

### Technical Outlook

✓ Nifty index continued its formation of higher highs - higher lows on the Monthly scale and hit the new life time high of 10137.85 in the beginning of the month. However, it failed to hold its gain and later consolidated in a range of 200 points for second half of the month. Index closed the month at 9918 with the loss of 1.58% and lost around 160 points over the close of the previous month. The developments during the month were characterized by global political uncertainty and it was reflected in the way the market behaved. The initial start to the month was on a bearish note as the index tumbled by around 400 points but by the end of the month the market recovered almost 50% of its decline. The candle for the month was a small bodied candle but not really bearish by its price behavior. At the close of the month the market remains delicately poised as bulls managed to stage a comeback.

✓ It is likely that with strong global economic cues and tapering off of geo-political uncertainty the course of the market will be dictated by return of the bulls in the trading arena; at least in the near term future. Several sectors prospered during the month. The Pharma sector has shown some signs of a resurrection. Some stocks in the Auto sector hit the fifth gear and NBFCs were in great demand. Software remained subdued whereas Metal stocks were the toast of the month. On the monthly timeframe Nifty remains in a strong uptrend and it is likely that price action in the month of August was just a pause in the positive momentum. We can expect the index to trade higher during the course of the month if follow up action continues in line with its recent price setup.

**Strategy-** *Trend is likely to remain positive in Nifty as price action has closed above the resistance at 9950. Bank Nifty needs to close above 24500 levels to continue its positive momentum. Overall trend is up as decline is being bought and both the indices are forming an ascending triangle on charts which has bullish implication by its nature.*

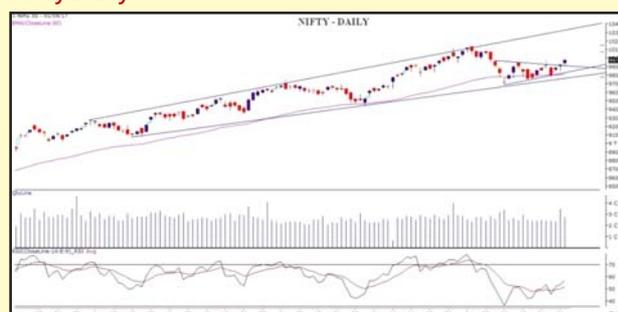
USDINR



Nifty Weekly



Nifty Daily



## Sectoral Highlights

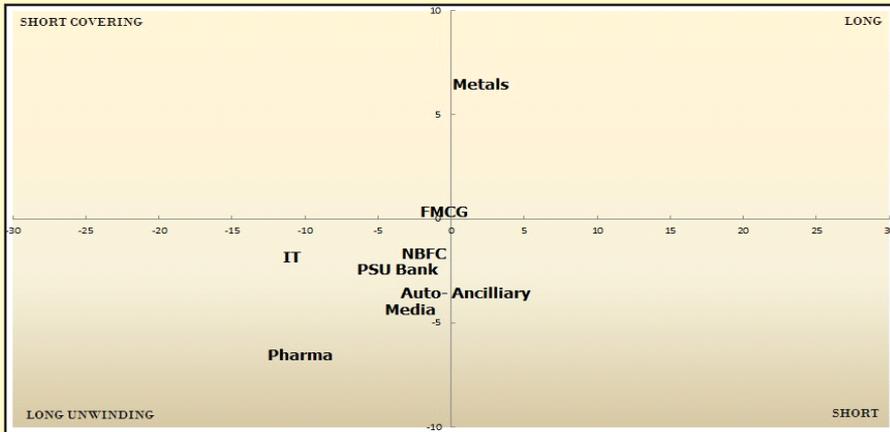
Sector	Our Views	Top Pick	MBP / MSP	SL / TGT
Banks	Positive	Yes Bank	Buy / 1776	1730 / 1850
NBFC	Positive	LIC Housing Finance	Buy / 681	660 / 720
Consumer	Positive	Pidilite Industries	Buy / 843	820 / 890

Note: #Technical view for 1 month perspective



## Derivatives Market Outlook

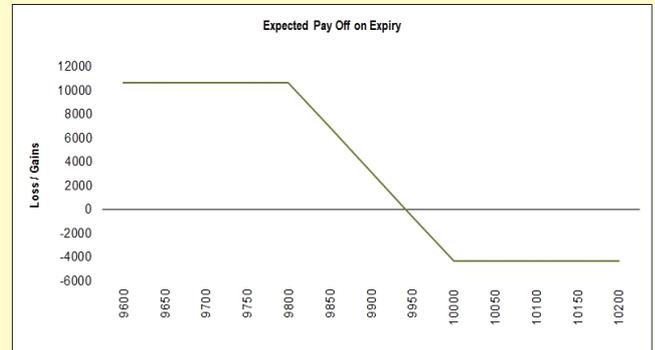
### SECTOR OI



Nifty witnessed rollover of 57.96% v/s 3 Months Average of 71.80%. Index closed negative with the loss of 1.02% on expiry to expiry basis. Bank Nifty witnessed in line rollover of 68.26% v/s 3 Month Average of 68.50%.

- ✓ Auto: Long built-up in Eicher motor, Tvsmotor and Maruti while shorts in Tatamotors
- ✓ Cement: Long in Ambujacem and ACC while long liquidation in India Cement
- ✓ Banks : Short covering in RBL Bank and Indusind Bank while Shorts in PSU Banks
- ✓ Metal: Long built in most of the metal stocks
- ✓ Pharma: Short covering in Divislab while shorts are intact in other pharma stocks
- ✓ NBFC: Longs in DHFL and Bajaj Finance. Short covering in L&TFH, M&MFin & Bharatfin.
- ✓ OIL & Gas: Long addition in BPCL while short covering in Petronet, IGL and BPCL
- ✓ IT: Long addition in Techm and Wipro while shorts in Infy and Mindtree
- ✓ FMCG : Long built up in Asianpaint, Pidilitind & Britannia while shorts in ITC

### NIFTY - HEDGE - BEAR PUT SPREAD



BUY NIFTY 10000 PUT @ 109;  
SELL NIFTY 9800 PUT @ 51

MAX RISK : 58 POINTS (INR 4350/-)  
MAX REWARD : 142 POINTS (INR 10650/-)

- ✓ Index has rallied by more than 22% on YOY basis and volatility seen at higher zones
- ✓ Maximum Call writing is seen at 10000 and 10100 strikes while life time high of 10080-10138 could act as a hurdle
- ✓ Major trend is intact to positive but a hedged strategy can be taken for protection
- ✓ Thus a hedge strategy Bear Put Spread is recommended

## Commodities Market Outlook

### Gold

- ✓ Precious metals extended their rebound for a second consecutive month in August with gold finally breaking out of its broad consolidation. Gold managed to close above \$1300 as the dollar index declined for a sixth consecutive month. Silver surpassed \$17 with help coming from the strength in base metals. Geopolitical tensions raised their head again and political dysfunction in the US kept safe haven demand high throughout the month. Rate hike odds by the Fed remain below 50% while Central bankers globally still remain dovish.
- ✓ Keeping geopolitical factors aside, dollar slumped more than 9% from its highs this year which kept gold prices supported despite intermittent selloffs. US economic data remains mixed while lack of major reforms by Donald Trump keeping the dollar depressed. Jackson Hole symposium was expected to provide some triggers to the market but all it ended up doing was reinforcing the established trends of the recent months.
- ✓ On the whole, we remain constructive on gold and our target of \$1350 is likely to be breached and the rally could extend towards \$1380-1400 in the coming months. In the near term, the drama over US debt ceiling will provide a trigger. Silver could benefit from the rally in industrial metals as well but may underperform when purely risk aversion will drive markets. We believe that subdued inflation will prevent aggressive rate hikes and balance sheet normalization by Central Banks has the potential to stir up market volatility. The issue of North Korea and Donald Trump's political challenges will also keep the bias for gold bullish through this year.

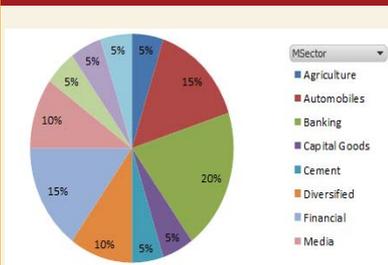


## MOST Multi Cap

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

Scrip	CMP	Wtg.
Hero Motocorp	3995	10
Zee Entert.	520	10
HDFC Bank	1776	10
Piramal Enterprises	2714	10
Yes Bank Ltd	1753	10
CG Consumer Elec.	219	5
Can Fin Homes Ltd	2861	5
Sterling Tools Ltd	229	5
P I Industries Ltd	722	5
SRF Ltd	1533	5
Shriram City Union	2059	5
Capital First	723	5
Ramco Cements Ltd	691	5
DHFL	505	5
Granules India Limited	128	5
Cash		0
Total		100

### Sectoral Allocation



Returns	3mth	6mth	12mth
MOST Multicap	0.0%	10.6%	9.3%
Sensex	1.9%	10.4%	11.5%
BSE 200	4.1%	12.3%	15.0%

*Absolute returns as on 31st August 2017*

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

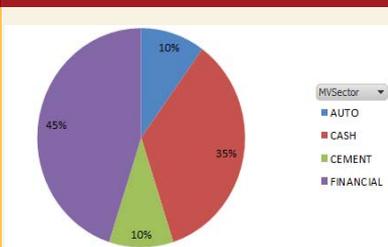
- ✓ Corpus requirement at INR 10 Lakhs
- ✓ 50% in Large-cap and 50% in mid-cap
- ✓ 15 companies to invest at maximum, 10 minimum
- ✓ Large-cap stocks are suitable for SIP investments as well
- ✓ Adheres to our QGLP philosophy

## MOST Velocity

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

Scrip	CMP	Wtg.
Tata Motors Ltd	377	10
RBL Bank Ltd	545	10
Bharat Financial	879	10
DHFL	505	5
Federal Bank Ltd	108	10
LIC Housing Finance	674	10
UltraTech Cement	4005	10
Cash		35
Total		100

### Sectoral Allocation



Returns	3mth	6mth	12mth
Portfolio	0.7%	0.8%	6.0%
BSE 200	3.4%	12.5%	15.0%

*Absolute returns as on 31st August 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: - 24th 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 INR24.31 Crs vs. 8.81 Crs in Nifty 50 as on 30th June 2017, an outperformance of 33.12 Crs.
- ✓ Since its inception, Value Strategy has delivered annualized returns of 25.06% vs. Nifty 50 returns of 17.12%, an outperformance of 7.94% (CAGR).

### NTDOP Strategy

- ✓ Inception date: - 11th 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 3 years, strategy has delivered a return of 30.33% CAGR vs. NIFTY Free float Midcap 100 is 18.04% CAGR i.e., NTDOP has delivered an alpha of 12.29%.

### 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 33.68% vs Nifty Free Float Midcap 100 returns of 18.91%, i.e. delivered an alpha of 14.77%
- ✓ 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.	9.81
BPCL	9.19
Eicher Motors Ltd.	8.99
Bosch Ltd.	7.68
Kotak Mahindra Bank Ltd	7.44

Sector Allocation	% Holdings
Banking & Finance	35.40
Auto & Auto Ancillaries	27.20
Oil and Gas	9.19
FMCG	7.09
Airlines	5.81

### Top Holdings in NTDOP Strategy

Scripts	% Holdings
Kotak Mahindra Bank Ltd	10.71
Bajaj Finance Ltd	9.13
Voltas Ltd.	8.61
Page Industries Ltd.	7.37
Eicher Motors Ltd.	7.36

Sector Allocation	% Holdings
Banking & Finance	33.76
Auto & Auto Ancillaries	15.99
FMCG	15.00
Diversified	13.04
Oil and Gas	7.32

### Top Holdings in IOP Strategy

Scripts	% Holdings
Development Credit Bank Ltd	9.76
Birla Corporation Ltd.	9.21
Quess Corp Ltd.	6.88
Canfin Home	6.77
Aegis Logistics Ltd.	6.47

Sector Allocation	% Holdings
Banking & Finance	29.45
Cement & Infrastructure	12.34
Oil and Gas	11.98
Consumer Durable	10.54
Pharmaceuticals	9.98

Data as on 31st August 2017.



## Introduction of MOPE Fund- India Business Excellence Fund- III

We are happy to introduce you our new offering in the Private Equity category; "INDIA BUSINESS EXCELLENCE FUND (series III)".

### Brief introduction of India Business Excellence Fund- III

Particulars	Description
Targeted Fund Size	INR 2,000 Cr.
Investment Manager	MOPE Investment Advisors Private Limited
Tenure	10 years from the date of the final closing subject to two additional 1 year extensions
Fund Focus	Sector agnostic fund, providing growth capital to mid-sized Indian companies
Average Deal Size	INR 150-200 Cr.
Minimum Commitment	Domestic unit holders INR 5 Cr
Commitment Period	5 years from final closing
Sponsor & Team Commitment	Sponsor: 150 Cr. (same terms as domestic investors)
	Team Commitment: INR 25 Cr.
Advisory Fee	2% of commitment amount p.a. during commitment period
	2% of invested amount p.a. thereafter
Hurdle Rate	10% IRR for Domestic Investors
Target Returns	Investment IRR 25% to 30%
Performance Fees	20% with catch-up
Legal Structure	AIF Category II

### Why Private Equity Fund?

- ✓ As per Mckinsey analysis Private Equity Fund backed companies have demonstrated better performance.
- ✓ In last 15 years Indian equity market has matured, typically any company wants to raise 150 to 200 Cr., it has become difficult to raise it through IPO. Herein, Private Equity fills the fund raising requirement for mid to small size entrepreneurs. In last 15 to 20 years, PE Funds, has raised 50 Billion USD to 60 Billion USD (Approximately).
- ✓ In Private Equity Fund, primarily investment is done in unlisted space, with investment horizon for long term. And, these companies get 25% to 50 % at discount As compare to same companies in listed space. This gives opportunity to get early identification of unique opportunities.
- ✓ Generally investors' investment get locked for long period, which makes it forced to see the investment for long period of time. Wherein, investor gets the opportunity to create wealth. Longer duration leads to significant incremental value.
- ✓ Investor would have larger universe with better governance & operating controls.

### Genesis of Motilal Oswal Group as investment house:-

- ✓ Indian entrepreneurs relate to Motilal Oswal's first generation entrepreneurial success story. As per latest report of Forbes India, MOFSL is in the list of "INDIA'S SUPER 50 COMPANIES".
- ✓ Equity focused investment mind-set, investment philosophy & clarity of approach.
- ✓ 40 years of Equity investment expertise reflected in a QGLP investment philosophy. Identified multiple winners across segments across the investment tenure.
- ✓ MOPE founded in Feb 06 and have successfully raised and managing TWO SERIES of PRIVATE EQUITY FUND (IBEF I & II) fund raising worth INR1,550 Cr.

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No

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