

ARIHANT'S

# VALUE *Plus*

Issue: May 2017



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# MOVERS AND SHAKERS

## INDIAN INDICES

Indices	Apr-17	Mar-17	Monthly Change (%)
SENSEX	29918.40	29620.50	1.01 ↑
NIFTY 50	9304.05	9173.75	1.42 ↑
NIFTY BANK	22358.25	21444.15	4.26 ↑
NIFTY MIDCAP 100	18086.45	17197.15	5.17 ↑
NIFTY 500	8214.30	7995.05	2.74 ↑
NIFTY IT	9943.70	10703.25	-7.10 ↓
NIFTY REALTY	251.05	214.95	16.79 ↑
NIFTY INFRA	3255.20	3096.65	5.12 ↑

(Source: BSE & NSE)

## BSE SECTORAL INDICES

Indices	Apr-17	Mar-17	Monthly Change (%)
AUTO 	22782.40	22012.66	3.50 ↑
BANKEX 	25325.27	24420.77	3.70 ↑
CD 	15474.66	15257.34	1.42 ↑
CG 	17865.77	16446.03	8.63 ↑
FMCG 	9412.29	9270.25	1.53 ↑
HC 	15019.40	15312.40	-1.91 ↓
IT 	9618.99	10365.51	-7.20 ↓
METAL 	11303.38	11804.46	-4.24 ↓
OIL&GAS 	14455.03	13563.63	6.57 ↑
PSU 	9019.84	8596.71	4.92 ↑
REALTY 	1923.92	1599.97	20.25 ↑
TECK 	5450.23	5771.47	-5.57 ↓





(Source: BSE)

## GLOBAL INDICES

Indices	Apr-17	Mar-17	Monthly Change (%)
DOW JONES	20940.51	20663.22	1.34 ↑
NASDAQ	6047.61	5911.74	2.30 ↑
HANG SENG	24615.13	24111.59	2.09 ↑
FTSE	7203.94	7322.92	-1.62 ↓
NIKKEI	19196.74	18909.26	1.52 ↑





(Source: Telequote software)

## COMMODITIES

Particulars	Apr-17	Mar-17	Monthly Change (%)
MCX GOLD 	28463.00	29566.00	-3.73 ↓
MCX SILVER 	42326.00	43247.00	-2.13 ↓
MCX CRUDE OIL 	3161.00	3566.00	-11.36 ↓
MCX NATURAL GAS 	201.00	185.00	8.65 ↑

(Source: Telequote software)

## FOREX

Particulars	Apr-17	Mar-17	Monthly Change (%)
USD-INR 	64.35	64.86	-0.79 ↓
EUR-INR 	70.34	69.10	1.79 ↑
GBP-INR 	83.13	81.42	2.10 ↑
JPY-INR 	57.77	58.23	-0.79 ↓

(Source: Telequote software)

## FII Activity (Rs. Cr.)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for Apr 2017	87,003.25	84,608.76	2,394.49 ↑
Total for 2017*	4,32,598.90	3,90,572.80	42,026.30 ↑

(Source: SEBI)

## MF Activity (Rs. Cr.)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for Apr 2017	40,316.50	30,398.97	9,917.53 ↑
Total for 2017*	159,259.40	139,701.07	19,558.73 ↑

\*From Jan-27 Apr, 2017

(Source: SEBI)





# MARKET OUTLOOK

## Monthly Market Roundup

Indian equity markets started the month of April on a flattish note. News of missile attack in Syria by US sent shockwaves throughout the global markets, with investors flocking to safe assets. In the latter half of the month, market sentiments improved and created history as benchmark index BSE Sensex closed above the 30,000 mark on 26 April, 2017 for the first time ever on positive news from the parliament nod for the GST bills, strong quarterly earnings, positive global cues, strong economic fundamentals, FII inflows and an appreciating rupee. An impressive victory by the ruling BJP government in Delhi MCD elections also boosted the market sentiments.

Further, global markets

surged on possible deep cuts in corporate and individual tax rates proposed by President Donald Trump to stimulate the US economy and lower-than-expected tightening of interest rates by the Federal Reserve.

The month finally ended with upward bias as S&P BSE Sensex delivered positive returns of 1.01% to settle at 29918.40 and Nifty50 gained 1.42% ending the month at 9304.05.

On the institutional side, foreign institutional investors (FIIs) bought Rs 2,394.49 crore worth of equities during the month while domestic mutual fund houses continued their buying spree with net purchases of Rs 9,917.53 crore in April 2017.

## Economic Data Wrap Up – April

- India's Mar Nikkei manufacturing PMI rose to 52.5 from 50.7 in Feb.
- India's Mar Nikkei Services PMI rose to 51.5 from 50.3 in Feb.
- India's Feb IIP growth fell to -1.2% vs 3.3% in Jan.
- India's Mar CPI inflation rose to 3.81% from 3.65% in Feb.
- India's Mar WPI inflation fell to 5.70% from 6.55% in Feb.
- India's Mar trade deficit rose to \$10.44 bln from \$4.40 bln YoY.

## Market Outlook: May

Going ahead, Indian equity markets upward momentum will continue and factors like Q4FY17 corporate earnings, fund inflows and key economic reforms will drive the markets. Global economic growth prospects, political stability in India, improving fundamentals, implementation of key reforms are the factors responsible for renewed interest of foreign investors. On the economic data front, the US FOMC meeting which will be scheduled on 3<sup>rd</sup> May, 2017 will impact the markets. Further, Japanese monetary policy meeting minutes, French Presidential election results, BoE Monetary Policy and European Central Bank (ECB) monetary policy meeting minutes will be keenly watched by market participants. Hence, we recommend investors to adopt buy on dips strategy and invest in fundamentally strong companies for long term perspective.

## Nifty Technical Outlook: May



On the monthly chart, we are observing a spinning top which gives small clue that the previous four month rally is losing breath. Hence, a consolidation or a minor correction from current level cannot be ruled out. In the coming month if Nifty trades and closes above 9363 level then it is likely to test 9448 – 9534 – 9633 levels. However, if Nifty trades and closes below 9244 level then it can test 9159 – 9074 – 8975 levels.

Broadly, we are of the opinion that monthly trend is up and at present there is no sign of weakness. In current month 9120 holds significance. Hence, as long as Nifty holds the mentioned level on closing basis there is high probability that markets are likely to test 9400 – 9600 levels in couple of months.



**Hero MotoCorp Ltd**

**BUY**

CMP: ₹3318 (As on 28<sup>th</sup> Apr 2017)

Buy: > ₹3370

Target Price: ₹3500-3560

Stop-Loss: ₹3250



## TECHNICAL PICK



Hero MotoCorp Limited is the world's single largest two-wheeler motorcycle company. It manufactures and sells motorized two-wheelers, spare parts, and components in India. It offers motorcycles, scooters, and related engines and services. The company also exports its products. The company was formerly known as Hero Honda Motors Limited and changed its name to Hero MotoCorp Limited in July 2011. Hero MotoCorp became the first company in the country to introduce four-stroke motorcycles and set the standards for fuel efficiency, pollution control and quality. They have an excellent distribution and service network spread throughout the country.

The company's product range includes CD Dawn, CD Deluxe, Pleasure, Splendor +, Splendor NXG, Passion PRO, Passion Plus, Super Splendor, Glamour, Glamour PGM FI, Achiever, CBZ Extreme, Hunk and Karizma. Its manufacturing plants are located in Dharuhera and Gurgaon in Haryana; Haridwar, Uttarakhand; Neemrana in Rajasthan, and Villa Rica in Colombia. Its research and development center is located in Jaipur, Rajasthan. It has global parts centre for manufacturing and supplying the parts at local and global markets at Neemrana, Rajasthan.

### Technical Outlook:

The multi time frame analysis clearly suggests that the stock is in a firm uptrend. Further we are observing that the momentum indicators are gaining strength which clearly indicates that the upside momentum is likely to continue.

Hence we recommend buying in stock above Rs 3370 with a stop loss of Rs 3250 for a target of Rs 3500-3560 levels.

# FEDERAL BANK

YOUR PERFECT BANKING PARTNER

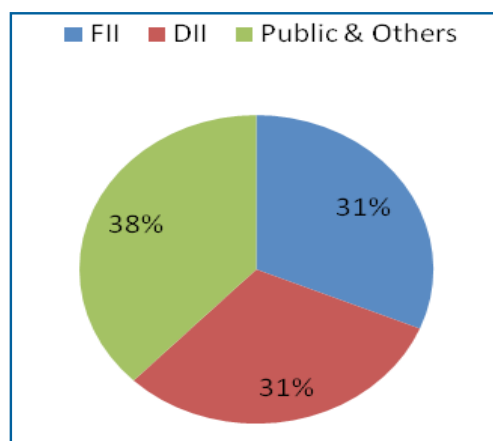
## FUNDAMENTAL STOCK

Accumulate Target Price Rs 122

### Value Parameters

BSE Code	500469
NSE Symbol	FEDERALBNK
CMP	Rs 107
Face Value	Rs 2
52 Week High/Low	Rs 109/44
Market Cap (Rs cr)	18525
EPS (TTM)	4.82
PE Ratio (x)	22.29

### Shareholding Pattern % (Mar' 17)



### Company Overview

Federal Bank, earlier known as Travancore Federal Bank, was incorporated in 1931. Though initially it was known as the Travancore Federal Bank, it gradually transformed into a full-fledged bank under the able leadership of its Founder, K P Hormis. The name Federal Bank Limited was officially announced in the year 1947 with its headquarters nestled on the banks on the river Periyar. Since then there has been no looking back and the bank has become one of the strongest and most stable banks in the country. It began operations with an authorized capital of Rs 5,000. In the beginning it was engaged in auction chitty and other banking transactions related to agriculture and industry. Today it is the largest traditional private sector banks in the country.

The bank is the fourth largest bank in India in terms of capital base and can easily boast of a Capital Adequacy Ratio of 17.23%,

one of the highest in the industry. This along with the existence in a highly regulated environment has helped the bank to tide over the recession with minimum impact to its financial stability.

The bank has been expanding organically over the past few months. The bank believes in extending their reach to their customers by making its services available to all, 24x7. The bank has branches and ATMs across India in addition to the representative Office at Abu Dhabi that serves as a nerve centre for the NRI customers in UAE.

### Investment Rationale

- Quality of assets improved during the quarter with gross NPA's at 2.3 vs 2.8 in the corresponding quarter of previous year.
- Fresh accretion during the quarter cooled to Rs 244 crs vs. Rs 536 crs in the corresponding quarter of previous year.
- The bank's top-line performance was up as net interest income increased by 23% to Rs 842 crs compared to Rs 686 crs YoY & Rs 791 crs QoQ.
- Gross advances for the quarter under review grew by 32% YoY and deposits grew by 23% YoY.
- Bank's focuses on digital expansion, as they have witnessed heavy traction in this segment. This gives them a chance to generate more fee based income.
- Bank plans to making existing distribution channels strong and deep. This will enhance banks productivity and decrease CTI.

### Concern

- Poor earnings growth by companies, slow pace of investments, risk aversion of banks due to rising bad loans, and availability of alternative funding sources for corporates pulled down credit growth during the year.
- As the global markets become more competitive and volatile, commercial success will depend on the ability to operate and scale up in an uncertain environment with effective risk management. Technology and analytics will become the cornerstones of improved risk management in the country.

### Valuations

At CMP stock trades at P/ABV multiple of 1.7x on FY19E. We have valued the stock at P/ABV multiple of 2.3x & arrived at fair value of Rs 122 per share and have 'ACCUMULATE' rating.



# COMMODITY OUTLOOK



## What will stop the Jeera Juggernaut?

CMP: ₹19100 (As on 02<sup>nd</sup> May, 2017)

Sell on rise: ₹19250-19270

Targets: ₹17900-16700

Stop loss: > ₹20100

Jeera has maintained its position of 'the best performing agro commodity of 2016' in 2017 as well. The aromatic spice which is also known for its therapeutic characteristics, ascended to fresh yearly highs in mid April. However, prices were still slightly behind the all-time high marked in July last year. The range bound to negative price movement seen in last couple of weeks is indicating a reversal from here. Let's explore the possibilities.

On daily chart, a double-top formation is seen as Jeera struggles to get above the yearly high formed few days back. A corrective wave structure (ABC) is also shaping up BUT it seems that it may have a mid to long term impact instead of just a short term run. Coupled with these, we can see momentum indicators like MACD & RSI clearly favoring bears as both of them have a long standing negative divergence. More importantly, both indicators are



now into a negative crossover as well which further strengthens our bearish view. This early bird view would be incomplete if we didn't talk about the core fundamentals which have been affected by the recent geopolitical developments. The price volatility seen in the backdrop of Syria war is over now as a much bigger factor in the form of India's bumper crop is governing the market. Syria is definitely a leading producer BUT it nowhere comes closer to even one third of total production. So, as of now India's huge produce and export demand are the factors to be watched out for.

**We recommend selling in Jeera June contract on rise to Rs 19250-19270 for targets in the range of Rs 17900-16700. Maintain stop loss above Rs 20100.**

# AUT SECTOR

## April Sales



### Maruti Suzuki

**Total Sales: 151,215 units, 19.5% yoy up**  
**PV Sales:** 109,505 units, 26.6% yoy up  
**Domestic Sales:** 144,081 units, 23.1% yoy up  
**Exports:** 6,723 units, 29.4% yoy down



### TVS Motor

**Total Sales: 246,310 units, 8.5% yoy up**  
**2Wheeler Sales:** 241,007 units, 8.4% yoy up  
**3Wheeler Sales:** 4,746 units, 11.7% yoy up  
**Exports:** 40,221 units, 41.9% yoy up



### Mahindra & Mahindra

**Total Sales: 39,357 units, 6% yoy down**  
**PV Sales:** 19,325 units, 15% yoy down  
**CV Sales:** 15,066 units, 16% yoy up  
**Exports:** 1,528 units, 39% yoy down



### Atul Auto

**Total Sales: 2,502 units, 101.5% yoy up**



### Tata Motors

**Total Sales: 30,972 units, 21% yoy down**  
**PV Sales:** 12,827 units, 23% yoy up  
**CV Sales:** 16,017 units, 36% yoy down  
**Exports:** 2,128 units, 43.8% yoy down



### Escorts

**Total Sales: 4,899 units, 20% yoy up**  
**Domestic Sales:** 4,760 units, 18% yoy up  
**Exports:** 139 units, 265.8% yoy up



### Bajaj Auto

**Total Sales: 329,800 units, 0.09% yoy down**  
**Domestic Sales:** 177,887 units, 21.3% yoy down  
**CV Sales:** 35,868 units, 6% yoy down  
**Motorcycle Sales:** 293,932 units, 1% yoy up  
**Exports:** 151,913 units, 46.1% yoy up



### Ashok Leyland

**Total Sales: 7,083 units, 30.4% yoy down**  
**M&HCV Sales:** 4,525 units, 43% yoy down  
**LCV Sales:** 2,558 units, 10.8% yoy up



### Hero MotoCorp

**Total Sales: 591,306 units, 3.5% yoy down**



### Volvo-Eicher Commercial Vehicles

**Total Sales: 3,089 units, 42.4% yoy down**  
**Eicher Branded Trucks & Buses**  
**Total Sales: 3,077 units, 42.2% yoy down**  
**Domestic Sales:** 2,578 units, 44.5% yoy down  
**Exports:** 499 units, 27.2% yoy down



# MUTUAL FUND

## MUTUAL FUND ROUNDUP

Indian equity markets registered positive returns in April 2017. The barometer index, S&P BSE Sensex delivered positive return of 1.01% to settle at 29918.40 and Nifty50 gained 1.42% ending the month at 9304.05.

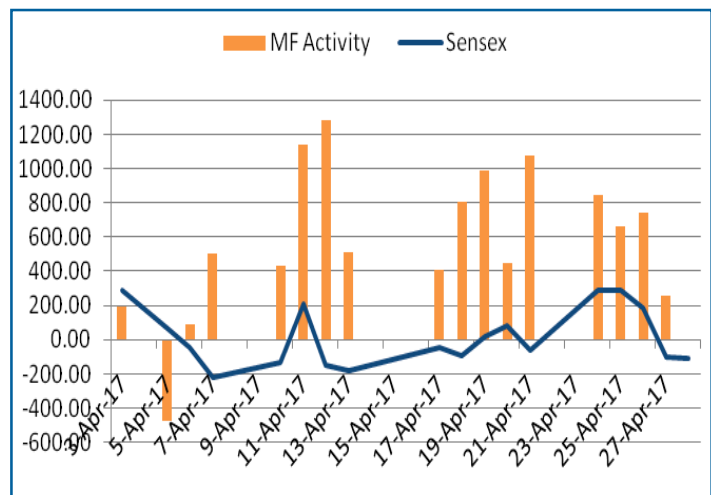
## MF ACTIVITY

Indian mutual funds turned net buyers of equities to the tune of Rs 9,917.53 crore in the month of April 2017. Highest buying was recorded in the third week of the month when the fund houses made total net buy of Rs 3,725.24 crore of equities. On the other hand, foreign institutional investors (FIIs) bought Rs 2,394.49 crore worth of equities in April 2017.

## MUTUAL FUND ACTIVITY IN APRIL 2017

Rs in Crores	Gross Purchases	Gross Sales	Net Investment
1 <sup>st</sup> Week	9087.88	8772.82	315.06
2 <sup>nd</sup> Week	9430.76	6061.66	3369.10
3 <sup>rd</sup> Week	11127.01	7401.77	3725.24
4 <sup>th</sup> Week	10670.85	8162.72	2508.13
Total	40316.50	30398.97	9917.53

Note: Mutual Fund Activity as on 27<sup>th</sup> April, 2017





## EQUITY SCHEME RECOMMENDATION

Scheme Name	Latest NAV*	AUM as on 31 <sup>st</sup> Mar 2017 (Rs in Cr)	Launch Date	Returns (%)				Min. Investment Amount	
				One Year	Three Years	Five Years	Since Inception	SIP	Lump sum
Large Cap Fund									
Birla Sun Life Frontline Equity Fund	197.47	16352	30-Aug-02	24.57	18.70	19.19	23.26	1,000	5,000
SBI Blue Chip Fund	34.45	12586	14-Feb-06	20.80	21.07	20.35	11.67	500	5,000
Mirae Asset India Opp. Fund	40.93	3410	04-Apr-08	28.63	21.92	20.82	16.82	1,000	5,000
Multi Cap Fund									
Motilal Oswal MOST Focused Multicap 35 Fund	23.58	5992	28-Apr-14	37.41	33.08	N.A.	33.08	1,000	5,000
Franklin India High Growth Companies Fund	35.88	6027	26-Jul-07	26.25	26.59	24.48	13.98	500	5,000
Birla Sun Life Advantage Fund	384.85	3124	24-Feb-95	31.51	25.96	22.52	18.52	1,000	5,000
ICICI Prudential Value Discovery Fund	134.19	17029	16-Aug-04	19.91	23.61	22.32	22.68	1,000	5,000
Mid Cap & Small Cap Fund									
Franklin India Smaller Co. Fund	53.58	5238	13-Jan-06	33.04	33.30	31.63	16.02	500	5,000
HDFC Mid-cap Opportunities Fund	51.87	15734	25-Jun-07	39.04	29.77	26.16	18.24	1,000	5,000
Mirae Asset Emerging Bluechip	44.57	3532	09-Jul-10	44.05	35.93	31.44	24.05	1,000	N.A.
DSP BlackRock Micro Cap Fund	51.63	3405	14-Nov-06	43.35	32	24.75	16.99	500	1,000
Invesco India Contra Fund	38.90	464	11-Apr-07	27.67	24.51	20.89	14.47	500	5,000
ICICI Prudential Banking and Financial Services Fund	54.58	1643	22-Aug-08	57.11	29.85	26.05	21.57	1,000	5,000
Reliance Small Cap Fund	37.20	3344	16-Sep-10	45.62	38.60	32.52	21.75	500	5,000

Note: NAV and Returns as on 28<sup>th</sup> April 2017, Returns < 1 yr annualized, Returns > 1 yr compounded annualized.

## DEBT SCHEME- LIQUID FUNDS RECOMMENDATION

Scheme Name	Latest NAV*	AUM as on 31 <sup>st</sup> Mar 2017 (Rs in Cr.)	Returns (%)				
			One Month	Three Months	Six Months	One Year	Since Inception
Liquid Fund							
DSP BlackRock Liquidity Fund	2329.46	11523	0.54	1.63	3.29	7.08	7.68
HDFC Liquid Fund	3215.38	26098	0.54	1.63	3.28	7.06	7.32
Ultra Short Term Fund							
Birla Sun Life Cash Manager Fund	394.00	6856	0.57	1.49	3.42	7.78	7.49
Franklin India Ultra Short Bond Fund	22.40	7909	0.70	2.09	4.38	9.42	8.99
Reliance Money Manager Fund	2253.49	14172	0.60	1.58	3.51	7.89	8.36

Note: NAV and Returns as on 28<sup>th</sup> April 2017, Returns < 1 yr annualised, > 1 yr compounded annualised.

## ELSS SCHEME RECOMMENDATION

Scheme Name	Latest NAV*	Launch Date	Returns (%)			
			OneYear	Three Years	Five Years	Since Inception
Birla Sun Life Tax Relief 96	26.63	06-Mar-08	24.44	24.78	21.71	11.30
DSP BlackRock Tax Saver	42.38	18-Jan-07	32.35	24.51	21.91	15.08
Franklin India Taxshield	501.73	10-Apr-99	18.80	21.38	19.20	24.41
Motilal Oswal MOST Focused Long Term Fund	15.45	15-Jan-15	41.13	N.A.	N.A.	21.15

Note: NAV and Returns as on 28<sup>th</sup> April 2017, Returns < 1 yr annualised, > 1 yr compounded annualised

# THE MONTH AHEAD KEY FINANCIAL EVENTS MAY 2017



## MAY 01-02

- Indian Automobile Sales Data, by Automakers
- Indian Nikkei Manufacturing PMI



## MAY 02

- Chinese Caixin Manufacturing PMI
- Japanese Monetary Policy Meeting Minutes
- UK Manufacturing PMI



## MAY 03

- Europe Prelim GDP
- US FOMC Meeting



## MAY 04

- Indian Nikkei Services PMI
- US Trade Balance



## MAY 05

- US Non-Farm Employment



## MAY 07

- French Presidential Election



## MAY 08

- Chinese Trade Balance



## MAY 08-12

- Indian FDI Equity Inflow
- Indian Automobile Sales Data, by SIAM



## MAY 11

- BoE Monetary Policy
- Japanese Current Account



## MAY 12

- Indian Industrial Production (IIP)
- Indian Consumer Price Index (CPI)



## MAY 12-15

- Indian Trade Data



## MAY 15

- Indian WPI Inflation
- Chinese Industrial Production
- European Industrial Production



## MAY 16

- US Industrial Production



## MAY 18

- Japanese Prelim GDP
- Japanese Industrial Production



## MAY 22

- Japanese Trade Balance



## MAY 24

- US FOMC Meeting Minutes



## MAY 25

- ECB Monetary Policy Meeting Accounts



## MAY 26

- US Prelim GDP



## MAY 31

- Indian GDP
- Indian Core Sector Growth
- Indian Government Finance



ARIHANT Capital Markets Ltd.



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