

Arihant's

# VALUE

Plus

Issue Oct 2017



  
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# MOVERS AND SHAKERS

## INDIAN INDICES

Indices	Sep-17	Aug-17	Monthly Change (%)
SENSEX	31283.72	31730.49	-1.41 ↓
NIFTY 50	9788.60	9917.90	-1.30 ↓
NIFTY BANK	24053.00	24318.40	-1.09 ↓
NIFTY MIDCAP 100	18107.95	18277.45	-0.93 ↓
NIFTY 500	8600.00	8694.95	-1.09 ↓
NIFTY IT	10475.35	10558.25	-0.79 ↓
NIFTY REALTY	273.50	280.40	-2.46 ↓
NIFTY INFRA	3245.65	3323.80	-2.35 ↓

(Source: BSE & NSE)

## BSE SECTORAL INDICES

Indices	Sep-17	Aug-17	Monthly Change (%)
AUTO 	24180.04	23688.67	2.07 ↑
BANKEX 	27025.26	27440.82	-1.51 ↓
CD 	17554.86	17700.91	-0.83 ↓
CG 	17172.12	17330.85	-0.92 ↓
FMCG 	9772.71	10174.12	-3.95 ↓
HC 	13487.76	13149.26	2.57 ↑
IT 	9946.60	10063.83	-1.16 ↓
METAL 	13563.90	13284.05	2.11 ↑
OIL&GAS 	14842.54	15177.26	-2.21 ↓
PSU 	8322.24	8645.18	-3.74 ↓
REALTY 	2065.41	2137.67	-3.38 ↓
TECK 	5607.57	5708.99	-1.78 ↓

(Source: BSE)

## GLOBAL INDICES

Indices	Sep-17	Aug-17	Monthly Change (%)
DOW JONES	22405.09	21948.10	2.08 ↑
NASDAQ	6495.96	6428.66	1.05 ↑
HANG SENG	27554.30	27970.30	-1.49 ↓
FTSE	7372.76	7430.62	-0.78 ↓
NIKKEI	20356.28	19646.24	3.61 ↑

(Source: Telequote software)

## COMMODITIES

Particulars	Sep-17	Aug-17	Monthly Change (%)
MCX GOLD 	29557.00	29745.00	-0.63 ↓
MCX SILVER 	39457.00	40700.00	-3.05 ↓
MCX CRUDE OIL 	3373.00	3038.00	11.03 ↑
MCX NATURAL GAS 	198.40	194.80	1.85 ↑

(Source: Telequote software)

## FOREX

Particular	Sep-17	Aug-17	Monthly Change (%)
USD-INR ₹	65.28	63.90	2.16 ↑
EUR-INR €	77.11	75.70	1.86 ↑
GBP-INR £	87.36	82.18	6.30 ↑
JPY-INR ¥	58.03	57.80	0.40 ↑

(Source: Telequote software)

## FII Activity (Rs. Cr.)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for Sep 2017	1,08,368.41	1,19,760.68	-11,392.27 ↓
Total for 2017*	9,86,750.00	9,52,396.50	34,353.50 ↑

(Source: SEBI)

## MF Activity (Rs. Cr.)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for Sep 2017	48,817.65	32,991.81	15,825.84 ↑
Total for 2017*	4,03,396.61	3,17,860.91	85,536.00 ↑

\*From Jan -28 Sep, 2017

(Source: SEBI)



## Monthly Market Roundup

Indian equity markets started the September month on a weak note due to geopolitical worries between US and North Korea but in the latter half of the month Nifty touched a record high of 10,178.95 on September 19. However, the sell-off in the last week of the month wiped out those gains and the benchmark indices ended with loss on likely another hydrogen bomb test by North Korea, S&P downgraded China's credit rating and the US Federal Reserve announced its plan to start reducing its balance sheet in October and hinted one more rate hike in December. Further

markets crashed on the back of likely fiscal stimulus, which could increase the fiscal deficit.

The month finally ended with downward bias as S&P BSE Sensex delivered negative returns of 1.41% to settle at 31283.72 and Nifty50 lost 1.30% ending the month at 9788.60.

On the institutional side, foreign institutional investors (FIIs) sold Rs 11,392.27 crore worth of equities during the month while domestic mutual fund houses continued their buying spree with net purchases of Rs 15,825.84 crore in September 2017.

## Economic Data Wrap Up – September

- India's Aug Nikkei manufacturing PMI rose to 51.2 from 47.9 in Jul.
- India's Aug Nikkei Services PMI fell to 47.5 from 45.9 in Jul.
- India's Jul IIP growth rose to 1.2% from (-) 0.2% in Jun.
- India's Aug CPI inflation rose to 3.36% from 2.36% in Jul.
- India's Aug WPI inflation rose to 3.24% from 1.88% in Jul.
- India's Aug trade deficit rose to \$11.64 bln from \$7.71 bln YoY.
- India's Aug fiscal deficit rose to Rs 201 bln from Rs 143 bln YoY.

## Market Outlook: October

Going ahead, Indian equity markets will remain volatile this month due to ongoing geopolitical tensions between the US and North Korea. Investors will closely watch developments in North Korea. The recent declines in the stock market, which were triggered by geopolitical tensions, aggravated on worries about a further delay in corporate earnings revival. Apart from this, RBI monetary policy, Q2FY18 corporate earnings, US FOMC meeting minutes, ECB monetary policy, BOJ monetary Policy, FIIs trend, currency movement and crude oil price movement will be the major factors to watch out for. Investors should invest in fundamentally sound companies with long term horizon.

## Nifty Technical Outlook: October



On the monthly chart, we are observing two consecutive narrow body formations which resemble a Spinning top candlestick pattern. The said candlestick pattern suggests that the prior up trend is losing breath. In the coming month if Nifty trades and closes above 9884 level then it is likely to test 10027 – 10171 – 10338 levels. However, if Nifty trades and closes below 9692 level then it can test 9549 – 9406 – 9239 levels.

**Broadly, we are of the opinion that for current month 9540 level remains make or break level. Hence, one can hold their long positions as long as Nifty holds the mentioned level.**



# FUNDAMENTAL STOCK

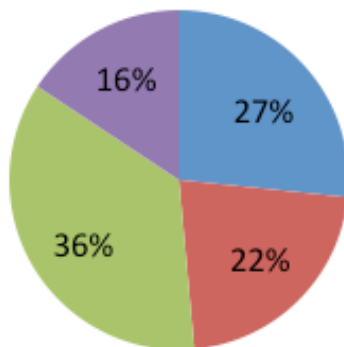
Buy Target Price Rs 1586

## Value Parameters

BSE Code	500520
NSE Symbol	M&M
CMP (As on 03 <sup>rd</sup> Oct, 2017)	Rs 1254
Face Value	Rs 5
52 Week High/Low	1141/1459
Market Cap (Rs cr)	79,473
EPS (TTM)	60.64
PE Ratio (x)	21.10

## Shareholding Pattern % (June' 17)

■ Promoters ■ DII's ■ FIIs ■ Other



## Company Overview

Mahindra & Mahindra Limited operates in nine segments. The automotive segment includes sales of automobiles, spare parts and related services. Farm equipment segment includes sales of tractors, spare parts and related services; information technology (IT) services, which consists of services rendered for IT and telecom; financial services steel trading and processing includes trading and processing of steel; infrastructure includes operating of commercial complexes, project management and development; hospitality segment includes sale of timeshare; Systech segment includes automotive components and other related products and services, and its

others segment includes logistics, after-market and investment.

## Investment Rationale

M&M, September sales were up 16% YoY at 53,663 units. Its tractor sales were up 49% YoY at 45,563 units. With the move towards developing all electric vehicles till 2030, M&M launched first e-Rickshaw, named e-Alfa. M&M is expected to improve on its sales with all new segments of EV's. To reduce the cost of batteries which accounts for 40-50% of vehicles cost. M&M is seeking a JV with another company this will further reduce the price of the vehicles and improve on margins. M&M has called it quits in the mass market two-wheeler category, nine years after it entered the segment, this move will help reducing its losses as two-wheeler was a loss making business.

## Outlook


We expect strong bounce back in Q2FY18 onwards on account of expected demand revival from rural India, Government's strong focus on rural economy, EV vehicles and favourable monsoon helping agri industry and rural UV sales. Though present product pipe line is lean, company plans strong product pipeline over FY18 and FY19. Economic revival with new launches would help company clock double digit growth in FY18 and FY19. Our estimates for FY19 Net standalone revenues to be Rs 54,898 cr, operating margins to be 12.7% and PAT to be Rs 4,436 cr with the EPS of Rs 74.7.

## Valuations


We value the core business at Rs 1195 per share, based on 16(x) FY19E PE(x) based on EPS of Rs 74.7. We have valued total investments (listed and unlisted) at Rs 391 per share, with a holding company discount of 30%. Our SOTP value for stock comes at Rs 1,586 per share.

# AUT SECTOR


## September Sales

**Maruti Suzuki**  
**Total Sales: 163,071 units, 9.3% yoy up**  
 Domestic Sales: 151,400 units, 10.3% yoy up  
 PV Sales: 150,521 units, 9.6% yoy up  
 Exports: 11,671 units, 1.3% yoy down




**TVS Motor**  
**Total Sales: 359,850 units, 23% yoy up**  
 2Wheeler Sales: 350,854 units, 22.1% yoy up  
 3Wheelers Sales: 8,996 units, 54.9% yoy up  
 Exports: 50,971 units, 33.6% yoy up



**Mahindra & Mahindra**  
**Total Sales: 53,663 units, 16% yoy up**  
 Domestic Sales: 50,456 units, 19% yoy up  
 PV Sales: 25,327 units, 23% yoy up  
 CV Sales: 17,803 units, 19% yoy up  
 Exports: 3,207 units, 11% yoy down




**Atul Auto**  
**Total Sales: 4,799 units, 2.85% yoy up**



**Tata Motors**  
**Total Sales: 53,965 units, 25% yoy up**  
 Domestic Sales: 36,679 units, 29% yoy up  
 PV Sales: 17,286 units, 18% yoy up  
 CV Sales: 36,679 units, 29% yoy up  
 Exports: 3,887 units, 27% yoy down



**Escorts**  
**Total Sales: 10,353 units, 34% yoy up**  
 Domestic Sales: 10,144 units, 32.4% yoy up  
 Exports: 209 units, 242.6% yoy up



**Bajaj Auto**  
**Total Sales: 428,752 units, 14% yoy up**  
 Domestic Sales: 247,418 units, 7% yoy up  
 CV Sales: 59,074 units, 32% yoy up  
 Motorcycle Sales: 369,678 units, 11% yoy up  
 Exports: 122,260 units, 20% yoy up



**Ashok Leyland**  
**Total Sales: 15,370 units, 28% yoy up**  
 M&HCV Sales: 11,804 units, 32% yoy up  
 LCV Sales: 3,566 units, 15% yoy up



**Hero MotoCorp**  
**Total Sales: 720,739 units, 6.8% yoy up**



**Volvo-Eicher Commercial Vehicles**  
**Total Sales: 6,083 units, 25.6% yoy up**  
**Eicher Branded Trucks & Buses**  
**Total Sales: 5,934 units, 25.3% yoy up**  
 Domestic Sales: 5,084 units, 22.6% yoy up  
 Exports: 850 units, 45.1% yoy up

# COMMODITY OUTLOOK



## Gold: On A Glittering Edge

### Gold December

**BUY**

CMP: Rs 29500 (As on 03<sup>rd</sup> Oct 2017)

Buy at CMP: Rs 29500-29350

Targets: Rs 30015-30490

Stop loss: < Rs 29180

2017 has been a good year so far for Gold. In last nine months, we have seen negative monthly closings only in the months of June and September. The yellow metal traded past \$1350 to score new highs in early September but then bears dominated the rest of the month to bring the curtain down with an over three percent of losses on monthly basis. However, prices are still under the impressive bullish candlestick of August month which is rekindling the possibility of the continuation of positive trend this Diwali.

On analyzing monthly chart, we can safely conclude that the primary trend in Gold is bearish. However, short term bullish rallies are a part and parcel of this larger trend and there is enough room for a trader with a six-seven weeks view, to benefit from the price revival generating partly from short covering & partly due to fresh buying that is driven by external factors such as geopolitical tensions. Thus if we capture the pattern on monthly chart after the period of massive bearish 1-2-3 structure that lasted



more than three years, it becomes quite clear that a corrective fourth wave (if not 'X') is in the making. Luckily, the two legs of 4<sup>th</sup> wave are over and we are nearing a 3<sup>rd</sup> leg proceeding which if happens in next few days, will definitely add more glitter this Diwali. Meanwhile, a trend line breakout within the 4<sup>th</sup> wave has already happened in August. The 3<sup>rd</sup> leg of the current 4<sup>th</sup> wave is likely to be huge and we may see prices scaling multi year highs till \$1440 from the current range of \$1280.

**We recommend buying in MCX Gold December contract at CMP Rs 29500 and on dips till Rs 29350 for targets in the range of Rs 30015-30490. Maintain stop loss below Rs 29180.**

# MUTUAL FUND

## MUTUAL FUND ROUNDUP

Indian equity markets ended on negative note in September 2017. The barometer index, S&P BSE Sensex delivered negative return of 1.41% to settle at 31283.72 and Nifty50 lost 1.30% ending the month at 9788.60.

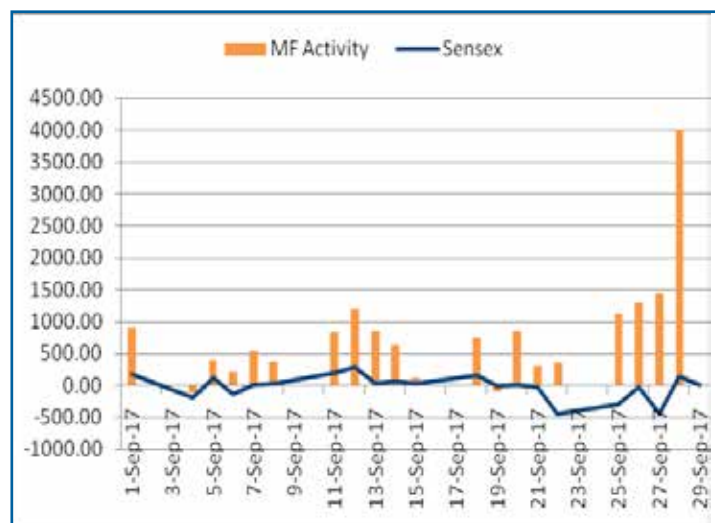
## MF ACTIVITY

Indian mutual funds turned net buyers of equities to the tune of Rs 15,825.84 crore in the month of September 2017. Highest buying was recorded in the fifth week of the month when the fund houses made total net buy of Rs 7,849.35 crore of equities. On the other hand, foreign institutional investors (FIIs) sold Rs 11,392.27 crore worth of equities in September 2017.

## Mutual Fund Activity In September 2017

Rs in Crores	Gross Purchases	Gross Sales	Net Investment
1 <sup>st</sup> Week	2098.22	1190.65	907.57
2 <sup>nd</sup> Week	9068.26	7720.93	1347.33
3 <sup>rd</sup> Week	12505.78	8895.08	3610.70
4 <sup>th</sup> Week	10398.96	8288.07	2110.89
5 <sup>th</sup> Week	14746.43	6897.08	7849.35
<b>Total</b>	<b>48817.65</b>	<b>32991.81</b>	<b>15825.84</b>

Note: Mutual Fund activity as on 28<sup>th</sup> Sep 2017



## EQUITY SCHEME RECOMMENDATION

Scheme Name	Latest NAV*	AUM as on 31 <sup>st</sup> Aug 2017 (Rs in Cr)	Launch Date	Returns (%)				Min. Investment Amount	
				One Year	Three Years	Five Years	Since Inception	SIP	Lump sum
<b>Large Cap Fund</b>									
Birla Sun Life Frontline Equity Fund	208.44	18,948	30-Aug-02	15.10	12.87	17.62	22.98	1,000	5,000
Mirae Asset India Opportunities Fund	44.23	4,510	04-Apr-08	21.28	15.17	20.01	16.97	1,000	5,000
SBI Blue Chip Fund	35.85	15,570	14-Feb-06	11.57	13.43	18.19	11.61	500	5,000
<b>Multi Cap Fund</b>									
Birla Sun Life Advantage Fund	420.41	4,258	24-Feb-95	19.00	19.51	22.58	18.60	1,000	5,000
Franklin India High Growth Companies Fund	36.29	6,851	26-Jul-07	14.44	13.60	22.08	13.49	500	5,000
Motilal Oswal MOST Focused Multicap 35	25.50	8,678	28-Apr-14	25.84	23.64	N.A.	31.45	1,000	5,000
<b>Mid Cap and Small Cap Fund</b>									
DSP BlackRock Small and Mid Cap Fund	52.36	4,428	14-Nov-06	18.69	19.78	23.03	16.42	500	1,000
Franklin India Smaller Companies Fund	55.88	6,161	13-Jan-06	18.20	19.82	28.92	15.81	500	5,000
HDFC Mid-cap Opportunities Fund	53.12	17,715	25-Jun-07	17.00	18.50	24.36	17.70	1,000	5,000
Mirae Asset Emerging Bluechip Fund	47.11	4,305	09-Jul-10	25.34	23.75	29.54	23.46	1,000	5,000
Reliance Small Cap Fund	39.02	4,372	16-Sep-10	31.34	21.13	30.16	21.14	500	5,000

Note: Returns as on 29<sup>th</sup> September, 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> Aug 2017 (Rs in Cr.)	Returns (%)				
			One Month	Three Months	Six Months	One Year	Since Inception
<b>Liquid Fund</b>							
DSP BlackRock Liquidity Fund	2394.24	16,178	0.52	1.62	3.25	6.67	7.64
HDFC Liquid Fund	3303.32	27,940	0.52	1.58	3.20	6.61	7.30
<b>Ultra Short Term Fund</b>							
Birla Sun Life Cash Manager Fund	405.49	9,447	0.26	1.64	3.40	6.99	7.48
Franklin India Ultra Short Bond Fund	23.19	11,675	0.46	2.04	4.19	8.81	8.97
Reliance Money Manager Fund	2320.57	18,351	0.36	1.70	3.48	7.19	8.31

Note: NAV and Returns as on 29<sup>th</sup> September 2017, Returns < 1 yr annualised, > 1 yr compounded annualised

## ELSS SCHEME RECOMMENDATION

Scheme Name	Latest NAV*	Launch Date	Returns (%)			
			One Year	Three Years	Five Years	Since Inception
Birla Sun Life Tax Relief 96	28.79	06-Mar-08	19.31	17.51	20.97	11.68
DSP BlackRock Tax Saver	44.32	18-Jan-07	16.48	15.75	20.29	14.92
Franklin India Taxshield	520.49	10-Apr-99	12.01	12.90	17.96	24.22
Motilal Oswal MOST Focused Long Term Fund	16.77	15-Jan-15	27.74	N.A.	N.A.	21.20

Note: NAV and Returns as on 29<sup>th</sup> September 2017, Returns < 1 yr annualised, > 1 yr compounded annualised



# THE MONTH AHEAD KEY FINANCIAL EVENTS OCTOBER 2017



## OCT 02

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



## OCT 03

Indian Nikkei Manufacturing PMI



## OCT 04

RBI Monetary Policy



## OCT 05

- Indian Nikkei Services PMI
- US Trade Balance



## OCT 06

US Non-Farm Employment



## OCT 09-13

- Indian Automobile Sales Data, by SIAM
- Indian FDI Equity Inflow
- UK Manufacturing Production



## OCT 11

US FOMC Meeting Minutes



## OCT 12

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



## OCT 13-16

- Indian Trade Data
- Chinese Trade Balance



## OCT 16

- Indian WPI Inflation
- European Trade Balance



## OCT 17

US Industrial Production



## OCT 19

- Japanese Trade Balance
- Chinese GDP
- Chinese Industrial Production



## OCT 25-26

- UK Prelim GDP
- ECB Monetary Policy



## OCT 27

US Advance GDP



## OCT 31

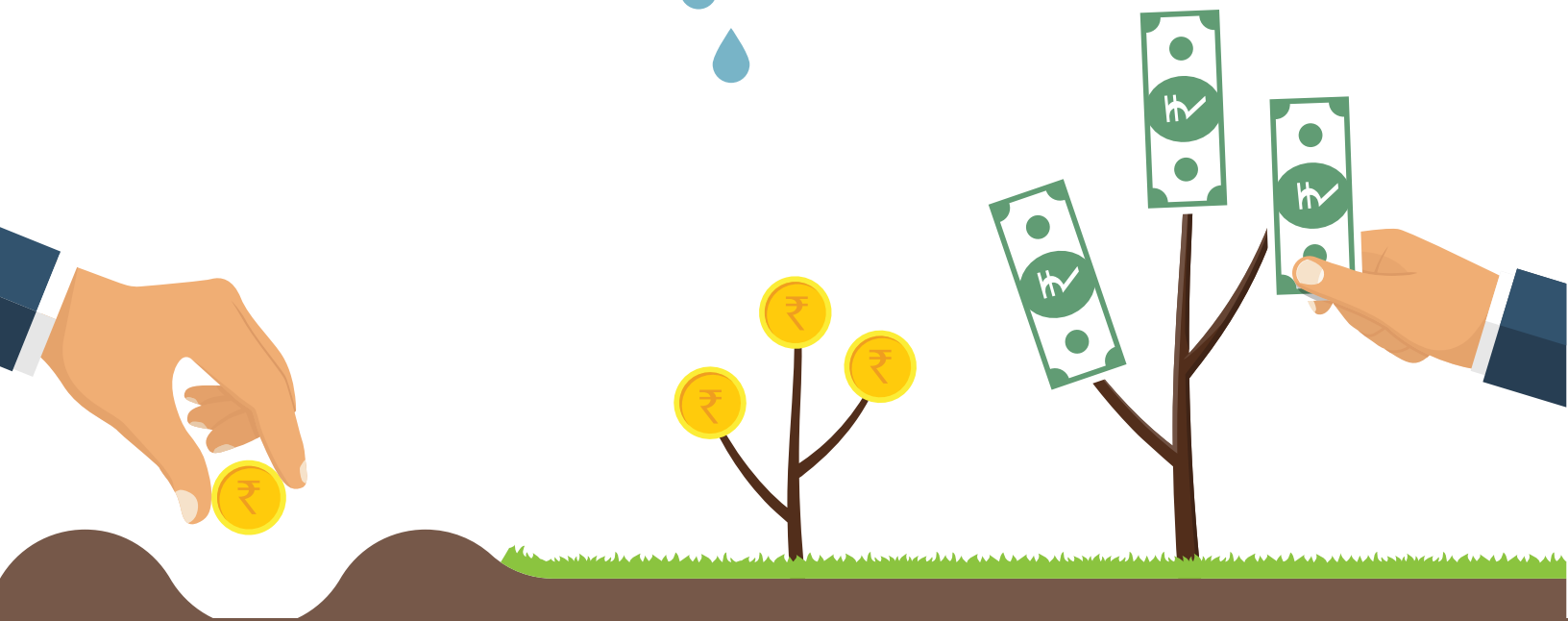
- BOJ Monetary Policy
- Indian Core Sector Growth
- Indian Government Finance



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