

Arihant's

VALUE

Plus

Issue | November 2018

NO BAN ON
CRACKERS!



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INDIAN INDICES

Indices	Oct-18	Sep-18	Change (%)
SENSEX	34442.05	36227.14	-4.93 ↓
NIFTY 50	10386.60	10930.45	-4.98 ↓
NIFTY BANK	25153.25	25119.85	0.13 ↑
NIFTY MIDCAP 100	17189.15	17154.35	0.20 ↑
NIFTY 500	8753.45	9116.00	-3.98 ↓
NIFTY IT	14940.10	15838.05	-5.67 ↓
NIFTY REALTY	214.90	219.60	-2.14 ↓
NIFTY INFRA	2696.90	2967.30	-9.11 ↓

(Source: BSE & NSE)

BSE SECTORAL INDICES

Indices	Oct-18	Sep-18	Change (%)
AUTO 	19881.08	21476.52	-7.43 ↓
BANKEX 	28359.59	27992.18	1.31 ↑
CD 	19142.33	19134.28	0.04 ↑
CG 	17488.58	17108.89	2.22 ↑
FMCG 	11127.84	11502.75	-3.26 ↓
HC 	14726.58	15025.34	-1.99 ↓
IT 	14531.60	15628.94	-7.02 ↓
METAL 	12524.55	13278.79	-5.68 ↓
OIL&GAS 	13246.92	14855.41	-10.83 ↓
PSU 	7080.27	7171.38	-1.27 ↓
REALTY 	1679.80	1702.94	-1.36 ↓
TECK 	7234.59	7730.69	-6.42 ↓

(Source: BSE)

GLOBAL INDICES

Indices	Oct-18	Sep-18	Change (%)
DOW JONES	25115.76	26458.31	-5.07 ↓
NASDAQ	7305.90	8046.35	-9.20 ↓
HANG SENG	24979.69	27788.52	-10.11 ↓
FTSE	7128.10	7510.20	-5.09 ↓
NIKKEI	21920.46	24120.04	-9.12 ↓

(Source: Telequote software)

COMMODITIES

Particulars	Oct-18	Sep-18	Change (%)
MCX GOLD 	31748.00	30481.00	4.16 ↑
MCX SILVER 	38050.00	38577.00	-1.37 ↓
MCX CRUDE OIL 	4892.00	5335.00	-8.30 ↓
MCX NATURAL GAS 	241.60	218.00	10.83 ↑

(Source: Telequote software)

FOREX

Particular	Oct-18	Sep-18	Change (%)
USD-INR ₹	74.19	72.75	1.98 ↑
EUR-INR €	84.39	84.48	-0.11 ↓
GBP-INR £	94.87	95.60	-0.76 ↓
JPY-INR ¥	65.71	64.66	1.62 ↑

(Source: Telequote software)

FII Activity (Rs. Cr.)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for Oct 2018	111,371.50	140,292.67	-28,921.17
Total for 2018*	1,136,025.80	1,178,163.30	-42,137.30

(Source: SEBI)

MF Activity (Rs. Cr.)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for Oct 2018	78,020.34	54,082.90	23,937.44
Total for 2018*	621,486.76	514,432.87	107,053.89

*From Jan-31 Oct 2018

Monthly Market Roundup

The negativity seen in Indian equity markets in September flowed into October as well. Domestic stocks dropped sharply in the beginning of the month on falling rupee and surging crude oil prices. Weak global cues also impacted sentiment.

The market crashed in mid-week amid broad based selloff after Wall Street's worst losses in eight months triggered a surge of global selling that knocked over Asia too. Global financial markets have been hit hard by a range of worries, including the US-China trade war, a rout in emerging market currencies, rising borrowing costs and bond yields. Domestic equity market too joined a sell-off in global equities amid concerns about a slowdown in the world economy. Trading was highly volatile throughout the month as indices swung between gains and losses. Worries over US-China trade disputes, a possible slowdown in the Chinese economy and higher US borrowing costs dampened sentiment.

The month finally ended with downward bias as S&P BSE Sensex delivered negative returns of 4.93% to settle at 34442.05 and Nifty50 lost 4.98% ending the month at 10386.60.

On the institutional side, foreign institutional investors (FIIs) sold Rs 28,921.17 crore worth of equities during the month while domestic mutual fund houses continued their buying spree with net purchases of Rs 23937.44 crore in October 2018.

Market Outlook : November

Going ahead, Indian equity markets are expected to remain volatile this month. However, Auto stocks will be in focus as the auto companies will start announcing monthly sales numbers for October 2018 starting from 1st November 2018. Quarterly earnings, macroeconomic data, trend in global markets, investment by foreign portfolio investors (FPIs) and domestic institutional investors (DIIs), the movement of rupee against the dollar and crude oil price movement will

dictate trend on the bourses in the near term. On the global front, US FOMC Meeting Minutes, OPEC-JMMC Meetings, US Manufacturing PMI and US Trade Balance are the major factors which will be tracked by investors.

Nifty Technical Outlook: November



The two consecutive bear candle on the monthly chart reflects that the undertone in the market is negative. However, a bounce cannot be ruled out from current level.

In coming month if Nifty trades and close above 10580 level then it is likely to test 10881 – 11182 – 11533 levels. However, if Nifty trades and close below 10198 level then it can 9892 – 9591 – 9241 levels.

Since the monthly trend remains down, we are of the opinion that pullback rallies near 10881 to 11182 are likely to attract selling pressure. Hence, cautiously positive approach should be adopted in current ongoing pullback rally. However, stock specific activity is likely to continue.

Economic Data Wrap Up – Oct

- India's Sep Nikkei manufacturing PMI rose to 52.2 from 51.7 in Aug.
- India's Sep Nikkei services PMI fell to 50.9 from 51.5 in Aug.
- India's Aug IIP growth fell to 4.3% from 6.5% in Jul.
- India's Sep CPI inflation rose to 3.77% from 3.69% in Aug.
- India's Sep WPI inflation fell to 4.9% from 5.0% in Aug.
- India's Sep trade deficit rose to \$13.98 bln from \$9.40 bln YoY.
- India's Sep fiscal deficit rose to Rs 34 bln vs Rs -261 bln YoY.

Fundamental Stock



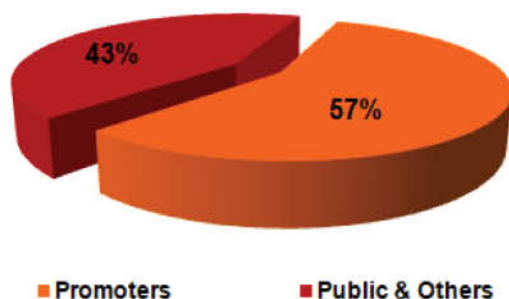
Ador Welding

BUY Target Price: Rs 517

Value Parameters -

BSE Code	517041
NSE Symbol	ADORWELD
CMP (As on 2 nd Nov, 2018)	Rs 376
Face Value	Rs 10
52 Week High/Low	650/266
Market Cap (Rs mn)	5264
EPS (FY20E)	20.7
PE ratio (x)	18.2

Shareholding Pattern % (Sep '18)



Company Overview

Ador Welding Ltd. (AWL) incorporated in the year 1951, is one of India's leading players in the field of Welding Products Technologies and Services. AWL offers comprehensive welding solutions, which includes a wide variety of electrodes, fluxes, flux-cored wires and special customised electrodes. The company covers the need of a whole range of industries like, steel, petro-chemicals, fertiliser, hydro-electric, thermal and nuclear power, heavy machinery, ship-building etc. AWL has reach in 70 plus countries and a comprehensive distribution network across the country with 300 plus distributors. AWL operates in two business segments; 1) Welding Consumables and 2) Welding Equipment and Project.

Investment Rationale

- Demand revival to drive volume growth in consumables**
 Welding consumables contributed ~67% of revenue of AWL for FY18. In India, the welding consumables market is expected to exhibit a CAGR of 5.6% from 2014 to 2020. With gradual recovery expected in the IIP index over FY18-20E, the demand for industrial products will also improve. This in turn will help AWL to clock 10% CAGR growth in welding consumable over FY18-20E.
- Change in revenue mix towards projects will aid margins**
 Over the last few years equipment and project segment's share in AWL's revenue mix has steadily increased from 20% in FY10 to 33.1% in FY18. Going forward we expect AWL's equipment and project segment revenues to contribute 33.8% and 34.7% respectively to its consolidated revenue in FY19E and FY20E. As the equipment and project segment offers better margins compared to consumables, AWL's EBITDA margin is expected to witness decent expansion of 130bps over FY18-20E with higher share of equipment business.
- PAT to witness 23.6% CAGR over FY18-20E**
 With 8.8% CAGR revenue growth over FY18-20E and improving EBITDA margin from 7.4% in FY18 to 8.7% in FY20E, we expect AWL's PAT to grow from Rs 184mn in FY18 to Rs 281mn in FY20E, thereby registering a CAGR of 23.6% over FY18-20E.
- Consistent dividend payout with high dividend yield**
 The current cash balance of AWL at the end of FY18 stands at Rs 175mn, which is expected to increase to Rs 383mn by FY20E. Further AWL has a track record of paying dividend for more than 15 years with the current dividend yield placed at 1.7%. Going forward with improving EBITDA margins and profitability, we expect AWL's dividend yield to reach 2.2% in FY20E from 1.7% in FY18.

Outlook & Valuation

At CMP of Rs 376, AWL is trading at FY19E and FY20E, P/E multiples of 24.2x and 18.2x respectively. We value the stock at a FY20E target P/E multiple of 25x, which yields a target price of Rs 517 per share. We remain positive on AWL from a longer term perspective and have a BUY rating on the stock with a target price of Rs 517, which gives an upside potential of 37.5%.

Fundamental Stock



Greaves Cotton

BUY

Target Price: Rs 171

Value Parameters -

BSE Code	501455
NSE Symbol	GREAVESCOT
CMP (As on 2 nd Nov, 2018)	Rs 119
Face Value	Rs 2
52 Week High/Low	165/111
Market Cap (Rs Mn)	29,036
EPS (FY20E)	8.6
PE ratio (x)	13.9

Shareholding Pattern % (Sep '18)



■ Promoters

■ Public & Others

Company Overview

Greaves Cotton Ltd. (GCL) is a Thapar Group promoted company, founded in 1859 and headquartered in Mumbai. It is a leading manufacturer of light weight single/dual cylinder's diesel and petrol engines, used in the auto and industrial sectors. GCL is a dominant player in the domestic three-wheeler market, and has made significant inroads into the emerging four wheeler small commercial vehicle segment. The company enjoys a strong market positioning in the 3-wheeler (3W) diesel engines market, given their exclusive diesel engines supply agreement with industry leaders. The company operates in four main business verticals, namely 1) Automotive Engines 2) Industrial Engines 3) Auxiliary Power and 4) Farm Equipment.

Investment Rationale

- Dominant market share in the 3W segment implies stable growth rate**
 Greaves Cotton Ltd. (GCL) enjoys dominant position in the 3-wheeler engine segment with more than 75% market share. GCL being the market leader with wide product portfolio will be a key beneficiary of the revival in CV cycle thereby ensuring a stable growth rate in its automotive engine business.
- After-market segment gaining traction**
 The business is seeing good traction, and accounted for 25% revenue share in FY18. GCL is now focussing its energies on channel enhancement & expanding territory coverage in identified regions to strengthen last mile connectivity.
- Farm equipment business has good headroom for growth**
 GCL has already witnessed good traction in its farm equipment business over last few quarters, which has registered double digit growth for multiple products in the segment. We believe with improving demand scenario, the farm equipment business of GCL has good headroom for growth.
- Focussing on increased penetration in the genset market**
 At present GCL is a small player in this segment and hence have a lot of room to grow. In FY18, GCL's genset business registered more than 41% volume growth and its auxiliary power segment market share increased from 3.5% to 6.5%.
- PAT to witness 16.4% CAGR over FY17-20E**
 With 8.4% CAGR revenue growth over FY18-20E and stable EBITDA margin around 14-15% level, we expect GCL's PAT to grow from Rs 1.5bn in FY18 to Rs 2.1bn in FY20E, thereby registering a CAGR of 16.4% over FY18-20E.

Outlook & Valuation

At CMP of Rs 119, Greaves Cotton is trading at FY19E and FY20E, P/E multiples of 15.5x and 13.9x respectively. We value the stock at a FY20E target P/E multiple of 20x, which yields a target price of Rs 171 per share. We are bullish on the future prospects of GCL and have a BUY rating and a target price of Rs 171 (20x FY20E earnings), which gives an upside potential of 43.7%.

AUT SECTOR

October Sales



Maruti Suzuki

Total Sales: 146,766 units, 0.2% yoy up
Domestic Sales: 138,100 units, 1.5% yoy up
PV Sales: 101,516 units, 2.5% yoy up
Exports: 8,666 units, -17% yoy down



TVS Motor

Total Sales: 398,427 units, 26% yoy up
2Wheeler Sales: 384,307 units, 25% yoy up
3Wheelers Sales: 14,120 units, 56% yoy up
Exports: 57,926 units, 27% yoy up



Mahindra & Mahindra

Total Sales: 58,416 units, 14% yoy up
Domestic Sales: 55,350 units, 13% yoy up
PV Sales: 24,066 units, 3% yoy up
CV Sales: 24,353 units, 26% yoy up
M&HCV Sales: 683 units, -9% yoy down
Exports: 3,066 units, 33% yoy up



Atul Auto

Total Sales: 5,473 units, 57.41% yoy up



Tata Motors

Total Sales: 57,710 units, 18% yoy up
PV Sales: 18,290 units, 11% yoy up
CV Sales: 39,420 units, 22% yoy up
M&HCV Sales: 13,185 units, 16% yoy up
Exports: 4,554 units, 6% yoy up



Escorts

Total Sales: 13,140 units, 28.8% yoy up
Domestic Sales: 12,867 units, 28.7% yoy up
Exports: 273 units, 33.8% yoy up



Bajaj Auto

Total Sales: 506,699 units, 32% yoy up
Domestic Sales: 319,942 units, 29% yoy up
CV Sales: 73,714 units, 30% yoy up
Motorcycle Sales: 432,985 units, 33% yoy up
Exports: 186,757 units, 38% yoy up



Ashok Leyland

Total Sales: 15,149 units, 17% yoy up
M&HCV Sales: 9,797 units, 7% yoy up
LCV Sales: 5,352 units, 41% yoy up



Hero MotoCorp

Total Sales: 734,668 units, 16.4% yoy up



Volvo-Eicher Commercial Vehicles

Total Sales: 5,980 units, 14.4% yoy up
Eicher Branded Trucks & Buses
Total Sales 5,826 units, 12.7% yoy up
Domestic Sales: 5,121 units, 14.7% yoy up
Exports: 705 units, 0.3% yoy up



Mentha Oil

Mentha Oil

BUY

Strategy: Buy above Rs.1770

Targets: Rs.1847-1909

Stop Loss: Below Rs.1720

CMP: Rs.1767 (as on 02/11/2018)

Mentha oil is derived by steam distillation of Mentha arvensis (a Japanese mint) leaves, the basic raw material required for the production of menthol. Menthol crystals are the basic ingredients for toothpaste, mouth fresheners, pharmaceuticals, ayurvedic and Unani medicines, chewing tobacco, pan masala, pain balm, confectioneries, cosmetics, and fragrance industry. Mentha arvensis is cultivated in semi-temperate regions of the Himalayan hills—UP, Himachal Pradesh, Punjab, and Bihar India is the largest producer and exporter of mentha oil. The sowing season of mentha starts during February–March every year while harvesting is done during May and June. (Courtesy: mcxindia.com)

With a robust export demand expected this year and a good six months' window left for the next crop to arrive; prices are looking set to rise further. The slack in trend is likely to end in next few days and we may see bulls returning with a bang! Let's see how prices are behaving on technical charts.

After an impulsive bullish rally seen till the first half of this year, Mentha oil went into a corrective phase and what followed up was a period of sell-off triggered by profit booking at higher levels. But that just seems to be a small part of the larger picture. There is more stuff to come on the bullish track as the impulsive leg seen previously has just taken a brief halt. On technical chart, the corrective phase has shaped up into a very crucial harmonic continuation pattern called AB=CD. As per the name of the pattern, Mentha prices are in harmony within the corrective & impulsive leg and are almost matching the requirements of Fibonacci retracement. Also, the time harmony seems to be perfectly in place as the corrective CD leg has consumed the same time as its alter ego AB had taken in completing the downward journey. Prices have broken out above an intermediate trend line of



in-the-making harmonic pattern and returned back to test support in what seems to be a 'Traders' Remorse' stage. The highly volatile counter is gearing up for a big upside move from here, provided it doesn't further slides below the important support of Rs.1720. Momentum indicators, however, are telling a slightly different story at the current stage BUT this usually happens as prices are in a bullish or bearish continuation pattern and suddenly dips or rises to complete the remorse route. These worries may find an end once ADX gets a reading above 20. The overall chart structure is strong and a mid-term trader should look to create long positions.

Buy Mentha oil November contract above Rs.1770 for targets in the range of Rs.1847-1909. Maintain stop loss below Rs.1720.

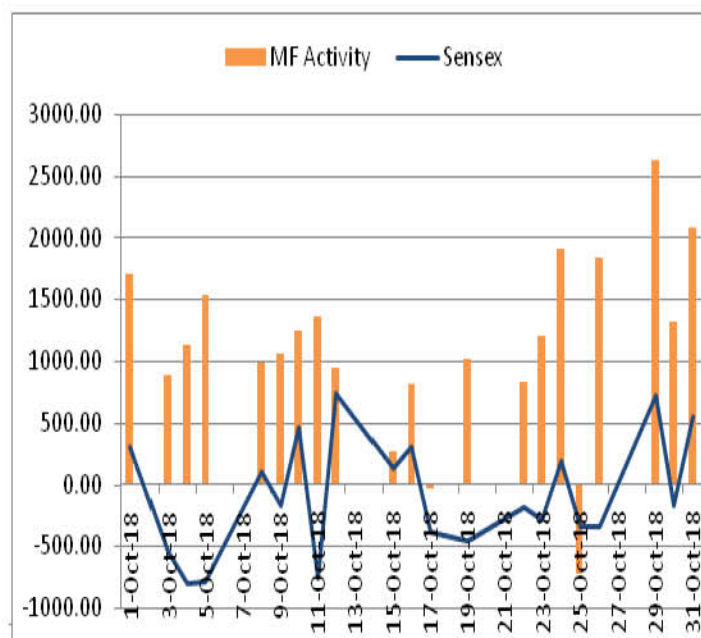


MUTUAL FUND ROUNDUP

Indian equity markets ended on negative note in October 2018. The barometer index, S&P BSE Sensex delivered negative returns of 4.93% to settle at 34442.05 and Nifty50 lost 4.98% ending the month at 10386.60.

MF ACTIVITY

Indian mutual funds turned net buyers of equities to the tune of Rs 23937.44 crore in the month of October 2018. Highest buying was recorded in the fifth week of the month when the fund houses made total net buy of Rs 6010.34 crore of equities. On the other hand, foreign institutional investors (FIIs) sold Rs 28,921.17 crore worth of equities in October 2018.



Mutual Fund Activity In October 2018

Rs in Crores	Gross Purchases	Gross Sales	Net Investment
1st Week	16082.79	10835.74	5247.05
2nd Week	17459.07	11885.62	5573.45
3rd Week	10793.55	8727.43	2066.12
4th Week	21087.67	16047.19	5040.48
5th Week	12597.26	6586.92	6010.34
Total	78020.34	54082.90	23937.44

Note: Mutual Fund activity as on 31st Oct 2018

Equity Scheme Recommendation

Scheme Name	Latest NAV*	AUM as on Oct 31 st , 2018 (Rs in Cr)	Launch Date	Returns (%)				Min. Investment Amount	
				One Year	Three Years	Five Years	Since Inception	SIP	Lump sum
Large Cap Fund									
Aditya Birla SL Frontline Equity Fund	207.05	20227	30-Aug-02	-4.61	8.89	14.25	21.23	1000	1000
ICICI Pru Bluechip Fund (G)	39.28	18966	23-May-08	-1.06	10.94	14.33	13.99	500	1000
SBI Blue Chip Fund	35.53	19213	14-Feb-06	-5.24	7.92	15.23	10.49	500	5000
Axis Bluechip Fund(G)	25.17	2877	05-Jan-10	2.78	9.75	13.26	10.81	1000	5000
Multi Cap Fund									
Axis Focused 25 Fund(G)	25.17	5853	29-Jun-12	0.64	12.85	15.65	15.54	1000	5000
Mirae Asset India Equity Fund	46.2	8755	04-Apr-08	-1.04	12.76	18.81	15.57	1000	5000
SBI Magnum Multicap Fund (G)	43.31	5777	29-Sept-05	-7.37	9.74	18.15	11.88	500	1000
Mid Cap and Small Cap Fund									
HDFC Mid-Cap Opportunities Fund	51.39	19532	25-Jun-07	-8.71	11.06	22.89	15.53	500	5000
L&T MidCap Fund (G)	127.23	3095	9-Aug-04	-12.1	13.02	25.45	19.58	500	5000

Note: Returns as on 1st Nov, 2018, Returns < 1 yr annualized, Returns > 1 yr compounded annualized.

Debt Schemes Recommendation

Scheme Name	Latest NAV*	AUM as on Aug 31 st , 2018 (Rs in Cr)	Returns (%)				
			One Month	Three Months	Six Months	One Year	Since Inception
Liquid Fund							
Aditya Birla Sun Life Liquid Fund	290.02	49621	0.6	1.81	3.65	7.21	7.43
Axis Liquid Fund	2002.9	20774	0.61	1.83	3.69	7.25	7.95
Ultra Short Term Fund							
Aditya Birla SL Savings Fund(G)	355.33	16556	0.66	1.79	3.7	6.72	7.73
UTI Treasury Adv Fund - Inst Plan	2485.69	10851	0.56	1.56	3.5	6.51	8.22

Note: NAV and Returns as on 1st Nov, 2018, 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
Axis LT Equity Fund(G)	40.08	29-Dec-09	0.53	9.01	19.94	16.93
Aditya Birla SL Tax Relief '96(G)	29.11	29-Mar-96	-4.05	10.76	19.06	10.55

Note: NAV and Returns as on 1st Nov, 2018, Returns <1 yr annualised, >1 yr compounded annualised.

THE MONTH AHEAD KEY FINANCIAL EVENTS NOV 2018



NOV 01

- Indian Nikkei Manufacturing PMI
- US Final Manufacturing PMI
- UK Monetary Policy Summary



NOV 02

- Indian Automobile Sales Data, by Automakers
- US Trade Balance



NOV 05

- Indian Nikkei Services PMI



NOV 08

- China Trade Balance



NOV 08-13

- Indian Automobile Sales Data, by SIAM



NOV 09

- US FOMC Statement
- UK Industrial Production



NOV 09-12

- Indian FDI Equity Inflow



NOV 12

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



NOV 14

- Indian WPI Inflation
- China Industrial Production



NOV 15

- Indian Trade Data
- Europe Trade Balance



NOV 16

- US Industrial Production



NOV 19

- Japan Industrial Production



NOV 20

- OPEC-JMMC Meetings



NOV 26-30

- Indian Government Finance



NOV 30

- Indian Q2 GDP
- Indian Core Sector Growth
- US FOMC Meeting Minutes

GDP



THINK
BIG
START **SMALL**

ARIHANT'S SIP INVESTMENT

WHY SIP INVESTMENT



**DISCIPLINED
INVESTMENT**



**POWER OF
COMPOUNDING**



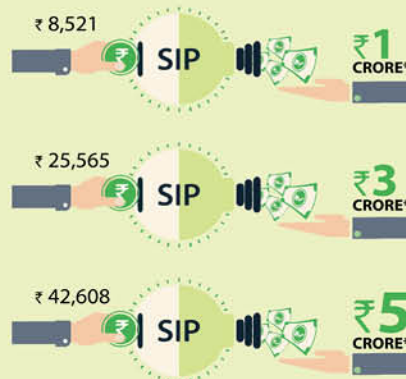
**RUPEE COST
AVERAGING**



**SMALL POCKET
INVESTMENT**

* Note: The above figures are calculated at the rate of 14% p.a. for illustration purpose only. Mutual fund investments are subject to market risks. The actual result may vary from depicted result depending on scheme selected. It could not be construed to be indicative of scheme performance in any manner.

20 YEARS PERIOD



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