April-June 2019 Edition | Volume:6 / Issue:6

MEHTA
REWARDING RELATIONSHIPS

MCONNECT
A MAGAZINE

WILL THIS ELECTION CHARGE THE BULL?

HIGHLIGHTS

Stock of the quarter
IDFC FIRST BANK LTD.

Guest Column
MR.JINESH GOPANI
Head- Equities & Fund Manager
Axis AMC

25th Foundation Day Celebration Event

#InvestmentBhiSamruddhiBhi

25 YEARS OF SERVING YOU

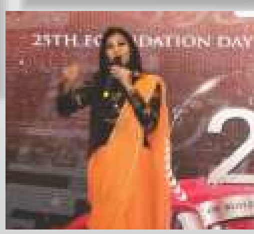













Message from CMD

Dear Readers,

Do I congratulate our space scientist for becoming the 4th country to have a missile capable of hitting satellites or should I feel sad about our youth getting involved in disgusting acts of terrorism such as the Pulwama episode?

Should I feel proud about India emerging stronger & is supported by all other countries or do I worry about China not taking action against the big terrorist in Pakistan?

Is it a good news that we gave a fitting reply to terrorism by making surgical strikes or should I feel worried on Pakistan getting active in terrorist activities?

The capital market is witnessing a bullish trend in anticipation of getting Modi back on the seat again, however, opposition is becoming strong day by day because of alliance with almost all other parties. Around the globe, US & China are arguing, Brexit is getting delayed & a peaceful country like New Zealand is getting the taste of hate crime mass killings.

Though it is evident that the markets will remain volatile till the election results, we have to remain calm & stable. It is business as usual at the Mehta Group & our new initiatives have received an excellent response from our HNI Clients who have showed total trust in us. The first round is closed and we are positively looking forward, just like the FIIs are continuing to pump in money in India.

Our PMS is going very well. We launched this year & meticulously did not invest 100% only to get the real opportunities. Slow & Steady will make us win for our clients.

India is a big country. What makes me proud is our great power of togetherness. We all come together and treat each event with same enthusiasm. Whether it is the dance of democracy happening in the elections or war against our enemies, Indians are always together and participate in large numbers.

Let us begin this new financial with stable mind set & hope for the best election results. I will assure you that the fire always keeps burning and even with a mixed poll result, we will still continue to do well but at a slower pace.

Feel free to write to me and all the best for the year ahead.

CA Rakeshh Mehta
Chairman, MEHTA GROUP

Mr. Jinesh Gopani
Head - Equities
& Fund Manager
Axis AMC

Funds Managed:

- Axis Long Term Equity Fund - since Apr 2011
- Axis Focused 25 Fund - since Jun 2016
- Axis Emerging Opportunities Fund Series 1 (1400 Days)- Regular Plan - since Dec 2016
- Axis Emerging Opportunities Fund Series 2 (1400 Days) - Regular Plan - since Feb 2017
- Axis Growth Opportunities Fund - Regular Plan - since Oct 2018

Experience: Prior to joining Axis AMC he has worked with

- Birla Sun Life AMC
- Voyager India Capital Pvt. Ltd
- Emkay Shares & Stock Brokers Limited
- Net worth Stock Broking Limited.

Market View – Positive India Story

Indian equities have seen a pre-election rally over the past month supported by a revival in foreign buying. While most foreign investors had been on the sidelines till recently (given election uncertainties) with offshore mutual fund allocations near multi-year lows, market expectations of a potentially stable government have risen over the past few weeks (as evidenced by recent opinion polls) spurring foreign buying. FII have net bought US$4.5 bn in India over the past 1 month.

From a pure play in equities, election outcomes have rarely impacted the long term trajectory of Indian markets. In the short to medium term however, elections have always enticed animal spirits on the Indian bourses. This time around as well short term trends around elections are likely to keep market participants on their toes. We continue to believe the markets are likely to trend higher on the back of strong fundamental performance of companies as compared to event based reactions.

How does the current rally compare to the previous rally in 2014 ?

		10 CY2014	10 CY2019	Comments
Macro Indications	Current Activity indication	6.6%	6.7%	Similar
	GDP Growth (%yoy.NSA)	5.3%	6.6%	Pic up
	CPI Inflation (%yoy)	8%	2%	Lower
	Composition PMI	48.9	53.8	Expansion
	IP (yoy. 3m MA)	4%	4%	Similar
	Mfg. Capacity Utilitzation (%)	71.5	74.8	Improved
Consumer/ Investment Demand	IP: Consumer Durable Goods (%yoy.3m MA)	8%	6%	Similar
	IP: Capital Goods (%yoy.3m MA)	-4%	6%	Improved
	PMI: Manufacturing	51%	54.3	Improved
	Domestic Car sales (%yoy.3m MA)	-6.4%	-2.0%	Improved
	Airline Passenger traffic (%yoy.3m MA)	3%	12%	Improved
	CV Sales (%yoy.3m MA)	-25%	-0.2%	Improved

The Economy – On A Strong Foot

We expect the economy to continue to build up momentum primarily driven by consumption demand and improving capacity utilization is likely to lead eventually to a pick-up in domestic capex. Growth environment is also supported by low inflation that is putting off pressure for rate hikes as well as a sharp fall in commodity prices including – most importantly – crude oil. The banking system is slowly but surely getting back on its feet as incremental NPLs have started to come off and some of the pending big ticket cases have started getting resolved through the NCLT process. The government has continued to push on improvements in ease of doing business and competitiveness indexes which is helping India attract the attention of global capital flows.

Narrow Markets – A Short Term Phase

Markets in the last 12-18 months have seen a peculiar phase. Narrow markets are a phenomenon wherein the frontline indices do not reflect the true performance of the market. In such situations, a handful of index stocks drive the markets upwards given their weight in the index while the broader market sees material dispersion in performance

Source: Bloomberg, Axis AMC Research

Over the last 9 months an analysis of the performance indicates that only 6 stocks (Cumulative index weight 40%) have contributed to ~74% of the index gains of the NIFTY 50. The remaining 44 companies (60% of index weight) have contributed 26% of the returns. The NIFTY 500 also shows a similar story with 8 stocks accounting for 64% of the total return. We attribute this narrowing of the market to the following events

The GST implementation & Demonetisation have been significant regulatory changes for businesses especially in the MSME space and have had a significant impact on the India Macro Story. Companies with lower sensitivity to the external environment and those with strong financial health have been preferred – thus the narrow market. The formalization of the economy is leading to a short term blip; longer term performance is likely to be more robust as the process of normalization takes place in the next few quarters.

While you may argue that these events have been happening since November 2016, the effect on the stock market comes with a lag.

We believe, businesses are adjusting to the new normal and this is reflective in the recently concluded Q3 performance reporting cycle. As markets return to normalcy, performance of the broader market is likely to improve. The first signs have already been seen since the start of March 2019.

Markets – The Way Forward

Given the current domestic and international landscape, we remain cautiously optimistic on the markets in the run up to the election season. Earnings have been largely positive thus effusing confidence. Fundamentally companies have shown credible performance across sectors highlighting improving consumer confidence and the strong business environment. We continue to believe in the long term potential of Indian equities. However, knee jerk reactions to news events are likely to remain part and parcel of equity markets for the next few quarters. Hence, Investors are advised to deploy funds in a phased manner. Systematic investments into equity products could also help investors ride out short term volatility.

	Absolute price performance-NIFTY (Local)			
Election Year	3 month before election result	1 month before election result	1 month after election result	3 month after election result
1996	12%	2%	4%	-6%
1998	5%	12%	9%	-13%
1999	12%	5%	-9%	1%
2004	-23%	-25%	7%	18%
2009	58%	28%	4%	3%
2014	17%	6%	5%	5%
Avg. Move	13%	5%	3%	1%
Median Move	12%	6%	4%	2%

Source: Bloomberg, Axis AMC Research

Mid & Small Caps – A Tactical Call

2016 & 2017 were the years of midcaps and small caps. The significant outperformance over large cap peers created a large valuation gap. Furthermore, unreasonable growth projections by many analysts in these companies created frothy expectations. The fall in asset prices was a return to normalcy for many companies. We continue to believe that the mid and small cap space remains fairly valued and investors have to be tactical in their allocations in this space.

Active investing is key to playing the mid and small cap space given the information arbitrage and institutional coverage. Fundamentally, the universe offers significant opportunities to investors willing to deep dive and do the in depth research. We believe that a multicap approach at this current juncture is ideal for investors looking for exposure at a portfolio level rather than midcap/smallcap funds given the risk reward outlook at this stage.

Responsible Investing – An Endnote

Equity markets have been great wealth creators over the last 40 years. In absolute terms the S&P BSE Sensex has generated ~370x returns in absolute terms since its conceptualization in 1978. However, only a handful of investors have been beneficiaries of this wealth creation. Likewise, many perceived stock gems of old, have gone out of business. The wealth destruction in these stocks is difficult to measure. The moral for the story: while saving and investing is important, what assumes more importance is responsible investing.

As such, responsible investing takes the driving seat to create wealth for the investors and not just the market cycles. Further, such responsible investing needs to be maintained through the entire chain including the Fund Manager, the Advisor and most importantly the Investor.

Election Vs Markets Trend

Pre-election phase an opportunity to create long term wealth.

Don't wait for the elections to invest.

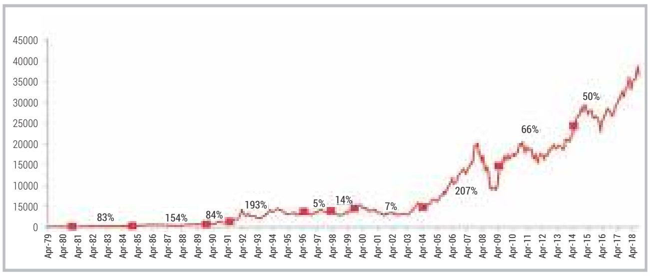
In the present scenario all left out, investors are pondering whether they should wait till elections or invest gradually or disinvest. If we carefully observe the historical data we conclude that **Politics may cause volatility, but has no lasting impact on markets.**

We have witnessed that smart money getting in Indian shares post-election with a confidence Modi government's return to power.

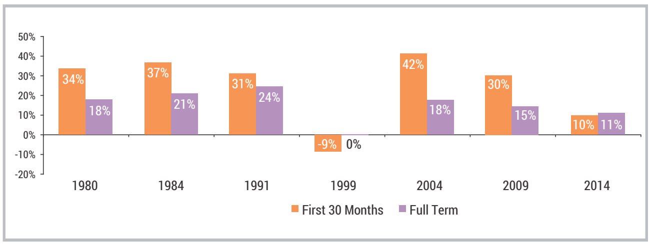
INDEX (Data As on 29th March 2019)	Return 1 JAN 2019 MAR 2019	Return recent LOW TO HIGH
NIFTY	7.6% (821 Points)	9.87% (1044.6Points)
NIFTY BANK	12.87% (3477 Points)	15.33% (4054.5Points)
SENSEX	7.94% (2850 Points)	9.78% (3452.14Points)
NIFTY MIDCAP 100	2.36% (420 Points)	13.62% (2185.1 Points)
NIFTY SMALLCAP 100	4.33% (278.55 Points)	18.55% (1050.1 Points)

The below chart makes one thing clear to understand that during pre-election phase equity markets are always volatile or even fall down. Post-election, the same market scales new highs.

Election Vs Markets movement:



The reason behind such a movement is that whoever wins the general election and forms the government, the basic growth drivers of the Indian economy will always remain under limelight irrespective of any government.



Thus in our opinion, elections offer an opportunity for investors, rather than a threat.

Mview:

We believe Calendar 2019 will have several pulls and pushes. India with its relatively insulated economy is well placed for healthy growth. Broader market opportunities are huge, when inflation is low, interest rates stable and input cost pressures are low. All of these ingredients are present today. A significant improvement in Ease of Doing Business ranking for India, the digital economy and GST are improving efficiencies and creating possibilities of a higher growth rate with lower inflation. Any improvement in trade tensions between the US and China will be an added positive, but that cannot be forecast at this stage. Overall we believe, India is well placed in the global context and the next 2-3 years will show that performance.

Every new government have to focus on few key sectors of the Indian economy to grow like infrastructure, cement, automobile, capital goods, FMCG and other various sectors will remain the key focus of any government to drive the Indian GDP growth. The upcoming general election in 2019 is an opportunity to invest for the long term. There will be significant volatility but the major advantage of this volatility is to invest. Investing at lower levels and taking a long-term perspective for creating wealth. Hence pre-election phase has given an opportunity to create wealth

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Stock of the Quarter

IDFC FIRST BANK LTD

Recommendation: Accumulate
Cmp Rs. 53 | Target Rs: 65

About the Company:

IDFC First Bank Ltd is an Indian Banking company with diversified asset profile headquartered in Mumbai that was formed following the successful completion of the merger between IDFC Bank Ltd and Capital First Ltd on January 2019. It will now offer a wide array of retail and wholesale banking products, services and digital innovations to a greater number of customer segments. The bank has total funded assets of Rs 1,04,660 Cr which it manages through 206 branches, 129 ATM's and 454 rural business correspondent centres pan India. The combined entity also has a large retail customer base of more than 70 lacs live customers including 30lacs rural customers.

Mview:

Retail base set to boost growth:

Post-merger retail forms significant chunk of the book. IDFC First Bank's retail assets stood at 33% of total loan assets. It plans to grow the retail asset book from Rs 36,236 Cr to Rs 1,00,000 Cr over the next 5-6 years. This will increase the mix from 35% to 70%. Capital First had strong retail franchise and strong credit skills in niche segment. The combined entity now will likely deliver 20% CAGR in the retail loan book over the next five years even as the wholesale loan book will grow moderately at about 6%, translating into overall loan growth of 10%. Balance will happen in growing both secured as well unsecured segments with higher focus on risk-adjusted spreads.

Improvement in the operational performance:

IDFC First Bank's return ratios are expected to improve gradually. Net interest margin (NIM) is expected to increase to about 5.5% in next 5-6 years from current 3.27%. NIM is expected to improve due to change in the loan mix with mostly concentrating on high yielding retail lending. Focus will also remain on replacing high-cost long-term bonds and infrastructure bonds with retail and bulk deposits. IDFC First Bank's retail expansion and investments in building out the bank will led to cost to income ratio of 78.75% in the current year (Q3 FY19), which the bank expects to reduce to 50-55% over the next 5-6 years. Also increase in the fees income due to expected growth in the loan book and operating leverage playing out with lower asset quality issues going forward will play a major role in benefiting the bank by improving its return ratios such as Return on assets (1.4-1.6%) and Return on equity (13%-15%).

Strengthening the Asset-Liability strategy:

On the asset side strategy diversification of its loan book across sectors and its efforts to increase retail composition will benefit the bank. Bank will achieve relatively higher gross yield on its loan book from its current 9.2% to 12% over next 5-6 years. On the liability front the key focus of the combined entity is to increase the CASA ratio from 10.3% (Q3 FY19) on a continuous basis year on year to strive to reach 30% over next 5-6 years. Diversification of liabilities in favour of retail deposits (CASA and retail term deposits) is essential for availing low cost and sustainable source of funding to fund the growth for the bank. As a percentage of the total borrowings, the retail term deposits and CASA is proposed to increase from 10.5% currently to over 50% in the next 5-6 years. IDFC First bank has plans to set up 600-700 more bank branches in next 5-6 from current branch count of 206. This would possibly help to grow the retail deposits and CASA.

Mview:

We believe IDFC First Bank's merger provides an opportunity to build a robust banking franchise with high focus on building retail assets which is more than >35%. Financially post-merger it has absorbed and took hit on earnings on back of creation of goodwill from merger, adjusting to the one-time exceptional item PAT in Q3. Considering its growing retail product portfolio, new management bandwidth with proven execution track record and sufficient capital would lift RoE, hence going forward it can be a re-rating candidate. On valuation parse the stock is currently available at 1.3x FY21E P/BV which is below its peers. Henceforth we recommend investors to "Accumulate" IDFC First Bank for healthy 17-25% return on investment over medium to long term investment.

Recommendation: Accumulate

Key Data

Date	22.3.19
BSE Code	539437
NSE Code	IDFCFIRSTB
52 Week High (Rs)	53.85
52 Week Low (Rs)	32.70
Market Cap (Rs Cr)	25510
Face Value	10

Industry Snapshot

Customers	Open
Market Presence	Domestic
Govt Regulations	Medium
Msearch View	Positive

Shareholding Jan 2019

Promoters	40.00%
Public	60.00%

Promoters/ Management

Mr. Vaidyanathan	Ex Director
Mr. Pankaj Sanklecha	CFO
Mr. Rajiv Lall	Non Ex Dir
Mr. Aashish Kamat	Non Ex Dir
Mr. Abhijeet Sen	Non Ex Dir

Key Ratios

CASA Ratio %	10.30
NIM %	3.27
Cost/Income %	79
P/Bv x	1.41

Financials

Profit & Loss Statement (Rs Cr)

Particulars	Q3FY19	Q3FY18	YoY	9MFY19	9MFY18	YoY
Interest Earned	3664	2334	56.98%	8319	6649	25%
Other income	304	119		622	1025	
Total Income	3968	2453	61.75%	8942	7674	17%
Interest Expended	2519	1883	33.77%	6233	5304	18%
Operating expenses	1142	552		2140	1163	
Total expenditure	3660	2435	50.34%	8373	6467	29%
Operating profit	308	19	1547.78%	569	1207	-53%
Provisions	213	601		848	-6	
Exceptional items	2599	0		2599	0	
Profit/Loss from ordinary activities	-2504	-583	329.71%	-2878	1213	-337%
Tax Expense	-966	-213		-1152	396	
Net Profit	-1538	-370	316.03%	-1726	817	-311%
EPS	-3.22	0.43		-4.47	2.40	

Research Team

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Currency & Natural Gas Outlook

Rupee hits 9-month high of 68.38 a dollar because of strong inflow from FII in March. Globally, stock markets are rallying too, and there is a feeling that Modi is going to form the government again after the Pulwama incident. That indicates political stability.

General Election Statistic of USDIND			
Election Period	Pre 2 months	Result Date	Post 2 months
05 - Sept - 1999 to 03 Oct 1999	06-08-1999	07-10-1999	06-12-1999
20 - Apr - 2004 to 10 May 2004	12-03-2004	13-05-2004	12-07-2004
16 - Apr - 2009 to 13 May 2009	16-03-2009	15-05-2009	14-07-2009
07 - Apr - 2014 to 12 May 2014	14-09-1014	16-05-2014	15-07-2014
11 - Apr - 2019 to 19 May 2019	22-03-2019	23-05-2019	22-07-2019

USDINR	Pre 2 months	Result Date	Post 2 months
05 - Sept - 1999 to 03 Oct 1999	43.47	43.54	43.42
20 - Apr - 2004 to 10 May 2004	45.26	45.24	45.69
16 - Apr - 2009 to 13 May 2009	51.40	49.40	48.95
07 - Apr - 2014 to 12 May 2014	61.19	58.78	60.14

USDINR (% change)	Pre 2 months	Result Date	Post 2 months
05 - Sept - 1999 to 03 Oct 1999	0.16	43.54	-0.27
20 - Apr - 2004 to 10 May 2004	-0.04	45.24	0.99
16 - Apr - 2009 to 13 May 2009	-3.89	49.40	-0.91
07 - Apr - 2014 to 12 May 2014	-3.94	58.78	2.31

Compiled by : ETIG Datebase

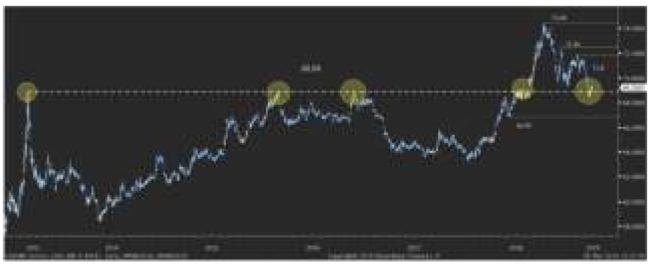
Benchmark yield

Sovereign benchmark treasury yields fell to 7.36% tracking muted global yields. Domestic retail inflation for February rose to 2.57% while flows in the debt segment would keep yields contained. US treasury yields fell sharply post Fed's monetary policy meeting, which was more dovish than the market expected. Currently, the yield is at 2.54%, lowest since the second week of January 2019.

Upcoming RBI monetary policy meeting will provide clues on rupee in backdrop of rising oil prices, dovish major central banks. The dollar witnessed volatile trading sessions post the Fed monetary policy meeting. The Fed has been surprised by its dovish inclination with 2019 rate hike expectations coming to nil. Also, the Fed put a time stamp on unwinding, saying it will stop the programme by September 2019.

The rupee has been supported by optimism that the US and China will reach a trade deal, and the impact of Brexit may not be as bad as feared.

The signs of a recession in the US were already there but the first leg of these recession fears has been positive for the Indian rupee because we are seeing more foreign inflows. We may see the RBI cut rates in the upcoming monetary policy in April, so FIIs flows will come in debt market as well. But RBI may not let the rupee to appreciate beyond a point and we may see some intervention to aid export competitiveness.

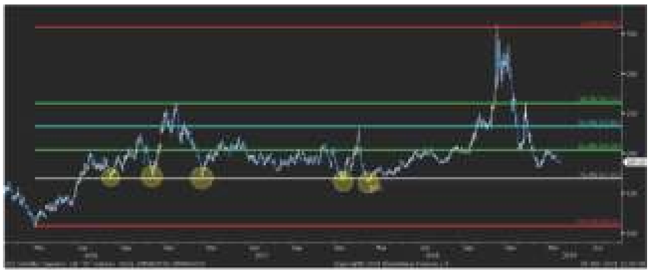


Action: In coming month rupee will be volatile with stronger note but major factor is the Loksabha election result. In April month we will see rupee trading in the range of 68.35 – 69.85, if BJP led government is able to win Loksabha elections once again with majority votes then we will see rupee getting stronger till 66.90, 66.20 levels. Investor can sell USDINR at 69.50-69.90 stop loss should be 70.65 while target will be 68.40, 66.90.

Natural Gas after hitting a four-year high during last November, natural gas prices have taken a breather on expectations of moderate US demand and normal supply. Prices in the benchmark NYMEX futures nosedived from the November high of $4.99 to $2.49 by February this year, shedding more than 50 percent during this period. Similar decline was seen in domestic natural gas futures as well. Extreme low temperature and a 15-year, low inventory level in the US had earlier spurred concerns over supply that pushed prices higher.

Meanwhile, the milder than usual temperature and ample global supply, overhauled the demand and tapered off most of its early price gains. Slow buying interest from top Asian players like Japan, China and South Korea also weighed on the sentiments.

Usually, short term increase in demand or decline in supply would cause large swings in natural gas prices especially during winter season. The US shale gas boom and a massive investment in LNG plants worldwide is making natural gas largely available.



As eco-friendly energy, natural gas is now largely used by many countries for energy generation. Though it is a fossil energy, it pollutes less compared to other fossil fuels. The emissions while burning natural gas is much lower, almost half percent when compared with coal.

As per reports, the Chinese government has taken measures to switch from coal to natural gas for industrial and residential end users. Similarly, Saudi Arabia is planning to replace the use of refined oil with natural gas for generating electricity and boosting domestic usage.

On hopes of high future demand many major oil companies are currently aiming to be the big player in LNG as well. Saudi Arabia's oil major Aramco aims to become the world's largest natural gas player by eying plants in Russia, Australia, America and Africa. Similarly, US is also emerging as a large LNG shipper supported by its booming gas production from shale fields.

Looking ahead, the long term market outlook appears to be strong as higher demands from Asian countries are still on cards. Meanwhile, change in weather and inventory levels of the top consumer - US would guide the short-term price direction.

Action: On the price front, a swift turnaround is least expected and prices are most likely to be held under the tight range of $3.4-2.5 mmbtu in the benchmark NYMEX exchange. In MCX, Rs 180-184 is good level to enter inbuy while 162 would act as an immediate support and Rs 220-250 likely to restrict major upside in the immediate run.

MEHTA TEAM

Mr. Lalit Thanmal Shah
Mumbai

The year was 1980. A young boy was sitting outside his college thinking what to do with his life. His inclination towards studies was on the decline & business was his real passion. Joining the college for a BCom degree seemed to be a mistake. At an early age of 18, he took a step which changed his life.

Lalit Thanmal Shah, a business channel partner of the Mehta Group & expert in the non-ferrous metal segment, with a client based of over one thousand people, gets his energy from life itself. A college drop out at first year in BCom, proved to the world that shear hard work can lead to business success.

Married at 19, Lalit bhai took the reins of the family business in his own hands. He simultaneously started working with the Mehta group to create successful relationships.

Blessed with two sons & a daughter, this business man is proud to be associated with the Mehta group for more than two decades. The elder son followed his father's footsteps to become a business man creating a niche in a different sector of gold jewelry. The younger son is a CA & daughter is an advocate.

At a young age of 60, Lalit bhai is looking forward for a bright sunny future. With two awards won, there are many more to come & new challenges to be achieved on the road ahead. The Mehta group thanks his efforts & wishes him the very best in all his endeavors.

A school boy lost his father & life became miserably tough. He somehow managed to push through graduation but could not complete his MBA. Nothing is permanent in this universe & life took "u" turn for Mr. Rajesh Bhadviya, who decided to hold the hand of Rakeshh Mehtaji in the year 2002.

Opportunities knock the door of those who keep their eyes & ears open. The large VRS scheme offered by Hindustan Zinc Limited was the solid booster for Rajesh, who did not spare any effort to encash the entire deal in the true & fair manner.

Rajesh feels that Mehtaji has a big role to play in the success story of his life. Mehtaji also introduced him to the JITO (Jain International Trade Organisation) group, which was a big benefit and a real gift.

With more than 1200 demat accounts & a happy family with two sweet kids, Rajesh Bhadviya wants to do much more in the Mutual Funds, Investment & Financial Planning and other products under the umbrella of the Mehta Group. His championship award for Mutual Fund SIP, is just a beginning & he has personally asked us to write "Think Together, Work Together & Rise Together" which is his favourite motto.

Mr. Rajesh Bhadviya
Udaipur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8. Speciality Funds
9. Exchange-Traded Funds (ETF)
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FOR MORE INFO CONTACT OUR RELATIONSHIP MANAGER
Mr.Vinay Tiwari : Directline - +91-22-6150 7145 | Boardline - 91-22-6150 7100 | EMAIL - vinaytiwari@mehtagroup.in
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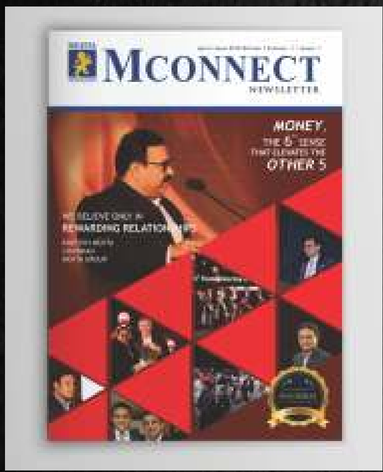
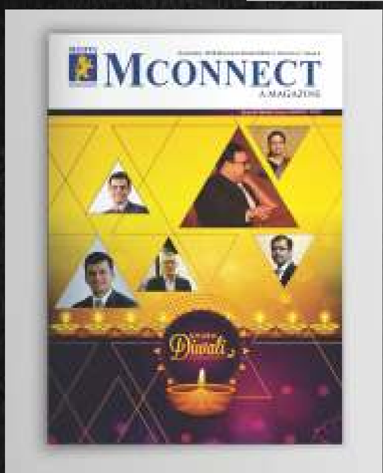
Thoughtful & Insightful Magazines





MEHTA

REWARDING RELATIONSHIPS

OUR SERVICES

- **EQUITIES** – BSE, NSE & MSEI
- **DERIVATIVES** – NSE
- **COMMODITIES** – MCX & NCDEX
- **DIAMOND TRADING** - ICEX
- **CURRENCY TRADING** - NSE
- **DEPOSITORY SERVICES** - CDSL
- **WEALTH MANAGEMENT** – PMS & AIF
- **FINANCING ADVISORY** - NBFC
- **RESEARCH ADVISORY**
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