

MEHTA



July-September 2019 Edition | Volume:7 / Issue:7

MCONNECT

A MAGAZINE

**Will Modi 2.0
a Decisive
mandate
propel India to
next growth orbit?**



GST
GOODS AND
SERVICES TAX



HIGHLIGHTS OF THE QUARTER

Guest Column

Mr. Manish Gunwani
CIO – Equity Investments,
Reliance Mutual Fund

Stock of the Quarter

Bajaj Electricals Ltd

Guest Column

Mr. Gaurav Parikh
Co-Founder & MD,
Jeena Scriptech
Alpha Advisors Pvt Ltd



MUTUAL FUNDS
Sahi Hai

ARE YOU PROTECTED FOR RAINY DAYS?

Join hands with trusted financial experts to get the best financial advice.

MEHTA



REWARDING RELATIONSHIPS

#InvestmentBhiSamruddhiBhi

ASK THE EXPERTS HOW

FOR MORE INFO CONTACT OUR RELATIONSHIP MANAGER

Mr.Vinay Tiwari : Directline - +91-22-6150 7145 | Boardline - 91-22-6150 7100 | EMAIL - vinaytiwari@mehtagroup.in

"Disclaimer : MEHTA EQUITIES LTD ARN 26010 : Investments in Equities/ Mutual funds/other instruments are subject to market risks,read all scheme related documents carefully.



Message from CMD

Dear esteemed readers,

Last quarter witnessed two important events namely Parliamentary Elections and presentation of Union Budget. I would like to congratulate Hon. Prime Minister, Shri Narendra Modi and BJP Party President, Shri Amit Shah, who is now Hon. Home Minister of India. The nation has given thumping majority achieved by any single party during last three decades. It should facilitate achieving Prime Minister's ambitious goal of making India a \$5 trillion economy by 2024 from the current level of \$2.72 trillion, which is far above the countries like Japan, Germany and United Kingdom. However, when it comes to per capita income, India is far behind, because India is a big country but not a rich country. To become a rich country, we have to grow annually by 8% and for that there has to be conducive environment and strong individual efforts along with the government.

The Union Budget 2019 presented by Hon. Minister, Smt. Nirmala Sitharaman has presented a blue print for realising the goal of achieving \$5 trillion economy. Having made considerable progress in taking electricity, clean fuel and embarking on providing house to all by 2022, the Modi government has now initiated measures like "Har Ghar Ko Jal" and extending Aayushman Bharat for providing the medical care to poor persons. The budget has outlined infrastructure spending on rail, road and other areas for full term of 5 years through direct and PPP model. To finance large capex, it is proposed to raise funds through sovereign bonds, encouraging private participation, making strategic disinvestments and rationalising government spending.

The budget has also announced imposition of steep increase in surcharge on individuals having income above Rs. 2 crore and also a proposal that SEBI should examine whether minimum public share holdings in the listed companies could be raised from the present level of 25% to 35%. The imposition of surcharge on individuals would also increase the tax incidence on FPI's investing in India through Trust and AOP route. These measures have adversely affected the market sentiments at least in the short run. Going forward, it is expected that once the economy takes up in the third quarter of 2020 market may revive.

It is my firm belief that the Government has to ensure that measures announced from time to time for improving the "ease of doing business" have to be implemented properly and sincerely so that businessman could really feel their impact. Also, rigours of compliance which have been increasing exponentially in Modi regime have to be rationalised because all cannot be penalised for the fault of a few persons.

One thing is sure, irrespective of some pain points, the appetite and zeal of the businessmen to help the government in achieving its ambitious goal of taking the economy to the level of \$5 trillion over next 5 years. We should be ready to grab the opportunities unfolding in India to play a significant role in global trade and also to alleviate the poverty.



CA Rakesh Mehta
Chairman, MEHTA GROUP



Guest Column



MR. Manish Gunwani
CIO - Equity Investments,
Reliance Mutual Fund

In the recent months, India has experienced a mild cyclical slowdown. There are various factors responsible including lagged effect of financial conditions tightening owing to NBFC stress, lower Government spending, weak exports and election related uncertainty which has impacted capex growth in recent months. Since the biggest overhang in the form of election is behind us, there is anticipation of strong policy support to jumpstart growth. As long as the Government and the RBI continue to provide required stimulus, the market will look past any near term growth and earnings disappointments.

During the interim budget presented on 1st Feb 2019, the Government had announced stimulus to the farmers as well tax payers. Since the revenue accretion has been slower than anticipated, the fiscal space to provide further stimulus is limited. Along with infra related announcement, one can also expect some tax sops for the middle class in order to boost consumption in the post-election Budget on July 5th. Rather than focussing on one event, we expect reform process to continue beyond the budget.

The bigger burden of reviving growth is with the RBI. We have seen 3 rate cuts of 25 bps each and we expect 2 more rate cuts by the end FY20. RBI will also likely improve transmission by keeping the liquidity in the surplus mode. Benign global interest rates and liquidity environment will further aid in keeping the overall financial condition easy.

We think the growth has bottomed out and from here on one should expect gradual recovery. 2HFY20 growth will likely be better than 1HFY20. From medium term perspective, the balance sheets of the Corporates and banks are in much better shape versus 5 year ago. From business cycle perspective, this should help in sustaining the growth momentum beyond 2HFY20.

The risk mainly emanates from external sector where India needs luck with oil, global liquidity and global demand. Lower oil prices, cheap and abundant global liquidity and the World with low but positive growth is an ideal scenario for Indian markets.

Valuations of the headline large cap indices have remained elevated despite subdued growth. Falling interest rates led fall in cost of capital and lack of alternatives as other asset classes continue to face challenges have been supportive of valuations. Also, while the headline index is at above average valuation zone, there has been a very meaningful time and price correction in the broader market. The dispersion in the market is at record high level. Handful of heavyweight stocks where valuations are very high have skewed the market valuations. Barring these, the valuations have turned reasonable across sectors and market caps. With earnings recovery in sight, risk reward has been turning favourable for broader market from medium term perspective.

PM Modi led NDA has got a massive mandate in the recently concluded general election. The verdict was better than everyone's expectations. The resounding victory has ensured policy continuity as the reform momentum of the last few years would continue. There has been lot of efforts put by this regime to improve the compliance and formalisation of the economy. All these efforts should certainly improve India's medium term growth potential.



Having said that one can't escape the volatility which in our view is likely to remain elevated. Global environment continues to remain precarious and unpredictable. In a global risk off environment our market may also come under pressure. It's unlikely to be a smooth ride and investors whose risk tolerance is low may find the environment challenging to navigate. For conservative investors and those investors who are new to equities as an asset class and there are so many of them in India, it's better to stick to asset allocation funds. A good dynamic asset allocation fund have optimal mix of equity and debt. The underlying strategy ensures consistency of returns and minimum draw downs in the case of large market decline. This is the category where over the medium term risk adjusted returns is typically higher versus conventional funds.

However, all asset allocation funds are not same. Valuation is a fulcrum of any sound asset allocation strategy. However, which valuation parameters one uses makes a lot of difference. Moreover, valuations are important but insufficient when it comes to optimal asset allocation. Many a times, market may remain overvalued or undervalued for considerably long periods.

Reliance Balance Advantage Fund (RBAF) is unique in that sense as it uses a combination of valuation as well as momentum while deciding the net equity allocation (unhedged equity). For valuations, we use 1 year forward PE ratio for MSCI India index as our research shows that it is more complete measure of value. And for momentum we use our proprietary moving averages driven momentum signals where we get the sense of both short and medium term trend of the market. RBAF model increases net equity allocation when valuations are turning cheaper and/or the trend of the market is positive and vice versa.

Overall, we are hopeful that the policymakers will ensure that the economy comes back on right growth trajectory. While the worst for the economy and the markets might be getting behind us, one should be prepared for volatility ahead. Investors should keep long term mind-set and not lose sight from right asset allocation as per their risk tolerance as it is the key to successful investing.



Sectors	Budget Proposals	Impact
Banking & NBFC	<p>Recapitalization amount of Rs 70,000 Cr.</p> <p>Government to provide one time six months partial credit guarantee to PSBs for investing in highly rated pooled assets of financially sound NBFCs/HFCs, up to Rs 1 lakh cr during FY20. First loss default guarantee of up to 10%.</p> <p>To allow all FII's & FPI's investment in debt securities issued by NBFC.</p>	<p>Positive: It will help in credit growth of the economy.</p> <p>Positive: It will improve the liquidity for NBFCs/HFCs.</p>
Insurance Auto-Mobile	<p>100% FDI in Insurance sector will be considered.</p> <p>Road Infrastructure Cess of Rs 1/litre</p> <p>GST on EVs reduced from 12% to 5% and</p> <p>Additional income tax deduction of Rs 1.5 lakhs on interest paid on loan taken to purchase Ev's</p> <p>Increase in import duty for Auto parts.</p>	<p>Positive: FDI inflow will increase penetration in this sector.</p> <p>Negative: For auto industry</p> <p>Negative: It will increase higher input cost for auto OEM's.</p>
Media & Telecom	<p>100% FDI in Media sector will be considered.</p> <p>Custom duties on Telecom commodities increased from 10% to 15%</p>	<p>Positive: FDI inflow will boost growth in this sector.</p> <p>Negative: This will result in higher costs for the telecom companies that are dependent on imported optical fibres, optical fibre bundles and cables.</p>
Infrastructure	<p>1.25 lakh km of road to be upgraded under PM GramSadakYojana. Rs 80,250 Cr to be earmarked for that.</p> <p>Public Private Partnership to be a key strategy to mobilize Rs 50 lakh cr investment in the Railway Infrastructure Development by 2030.</p> <p>Announced investment of 100 Lakh crore in infrastructure over next five years.</p>	<p>Positive</p> <p>Positive</p>
Information Technology	<p>20% Tax on Buyback of share of listed companies.</p>	<p>Negative: For IT companies as most companies are vercapitalized.</p>
Oil & Gas	<p>Increase in excise duties on auto fuels.</p>	<p>Negative: Technical overhang on the stocks.</p> <p>In the short run there won't be an immediate impact on OMCs but in the long run increase in EVs will impact.</p>
Defence Companies	<p>Capital outlay on defence hiked by 10%.</p>	<p>Positive: It would directly benefit defence equipment manufacturers.</p>
Real Estate	<p>Increased deduction on income tax on interest payment on home loan from Rs 2lakh to Rs 3.5 lakh for houses with value up to Rs 45lakh for borrowing availed till march 2020.</p>	<p>Positive: For players in affordable housing.</p>
Logistics	<p>Creation of infrastructure at ports.</p>	<p>Positive: It will increase Trade and Commerce.</p>
Jewellery	<p>Increase in custom duty on gold and silver to 12.5% from 10%.</p>	<p>Negative: Increase in duty will increase gold price which would impact demand in the short term.</p>
Consumer Durables	<p>Increase in customs duty on Indoor and outdoor unit of split –system air conditioner to 20% from 10% earlier.</p>	<p>Negative: AC companies import fully built indoor unit currently.</p> <p>Positive: For contract manufacturers in India would be beneficial.</p>
Pharmaceuticals	<p>Ayushman Bharat budget remains unchanged at Rs64 bn.</p> <p>No proposals for pharmaceuticals</p>	<p>Neutral: With Ayushman Bharat budget remaining unchanged, procedure prices are unlikely to see an upward revision)</p>
Plastic Products (Pipe)	<p>Increase in import duty on PVC from 7.5% to 10%.</p>	<p>Positive: For PVC domestic PVC pipe manufacturers.</p>

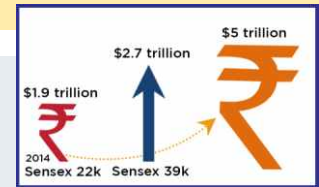


Guest Column



Mr. Gaurav Parikh
Co-Founder & MD, JeenaScriptech Alpha Advisors Pvt Ltd

You don't short an Economy that's been targeted to reach US \$ Five Trillion by 2025 unless of course you think it's a fantasy! Yet, you must feel that post 'Lehman' pit in your mind & stomach with most Indian Equities across the board being washed away over 50% from highs despite Sensex & Nifty recordings all time highs of 40000 & 12000 respectively before the Budget came bashing ! .As Equity Portfolios dived in Value blame came easy with assertions that Brokers & Advisers are not part of the human race.



Now What? "Everybody wants to go to Heaven but nobody wants to die " .

Good to remember God, as that's the only prayer you seem to have right now. God help those looking for Heaven through the F & O route for you may reach it sooner for F & O has a notorious & well justified sobriquet FO, slang for you what!

More on all of this but let's first see where India's Economy is positioned

India ~Reform, Perform, Transform

This is the Government Mantra as India targets to be a US \$ Five Trillion Economy by Financial Year 2025 at a compounded nominal growth rate of 12% to become the sixth largest economy in the world. Currently at an Exchange Rate of US \$ =Rs 69 we are a \$ 2.7 Trillion Economy in FY 19 & estimated to become a \$3 Trillion one this year in FY 20

With the last quarter GDP growth at just 5.8% it clearly is challenging going forward to register an 8% real rate which with an assumed Inflation of 4% would give us the targeted nominal of 12%. So? We'll reach \$ Five Trillion maybe a year later than planned & that's yet very good as long as it's not a jobless growth or else inequality will simply intensify. Arguing on "will we or won't we" is simply a distraction from moving ahead. We will

move ahead & it will be together, rural & urban, with the government reforms, policy & schemes measures for boosting agriculture, manufacturing, savings, investments & exports.

One Concern is that ,in my view, this fresh thinking on incremental Sovereign Borrowing which current boasts of being under 5% of GDP, I daresay ,can further accentuate the External Debt Burden in the longer run. On March 31, 2019 it was just above \$ 103 billion on an Economy Size of \$ 2.7 Trillion in 2018/19. The Chief Economic Adviser who advocates this route is of the view that India will doubly benefit from lower interest rates overseas (true) & even a reduced Principal to pay from a potential appreciation in the Rupee going forward based on the incremental difference between higher GDP growth rate in India & say a lower rate in Japan (history does not support this as on the contrary we've seen the Rupee depreciate). Moreover can Incremental Borrowing, sovereign or otherwise, ever be a Boast?

Global Headwinds & Disruptions on the Economic, Social & Geo-Political front can play spoilsports & if the World is not doing Good, can India do Good ? will be debated. Thankfully Interest & Inflation Rates & Oil Prices are expected to remain benign.



Top 13 High Weighted Companies		
Company	Weightage	% Change in Price
	%	%
HDFC BANK	10	33
RELIANCE IND	8.5	38
HDFC	7.8	31
ITC	6.7	4
INFOSYS	5.6	41
ICICI BANK	5.6	41
TCS	4.7	67
L&T	4.4	23
KOTAK BANK	3.9	48
AXIS BANK	3.4	44
SBI	2.7	17
HUL	2.5	31
BAJAJ FINANCE	1.9	108
	67.7	

Indian Equities ~ A Disconnect at the Top

Our Sensex & Nifty, on the back of a handful of Companies & a hoardful of overseas Inflows, recently soared to record Highs of 40000 & 12000 respectively before correcting post budget.

Just the same 13 Top Weighted Companies in both the Sensex & Nifty at 80% & 67% weightage respectively surged smartly in an eighteen month period from January 2018 to June 2019 (Refer to Table) driving these Indices to historic peaks while most other listed scrips went down south, some with vengeance.

Think of Equity as a four legged Table with the legs being Valuation, Liquidity, Sentiment & Momentum. Valuation should be the most solid Leg but we've seen huge Liquidity Inflows from both Domestic & Foreign Institutions post Demonetisation in 2016/17 & 2017/18 & in fact FPI Equity Inflows topped US \$ 12 Billion in just the five months of February to June 2019 this year. This excessive liquidity, in my view, ran up the other two legs of momentum & sentiment in selected headline stocks & hence the Sensitive Indices. July has seen nearly half a billion dollars reversal in the first week till date. Continuing Reversal would indicate continuing correction

Yet, how many of us are living the 'feel good' experience?

Here's the thing.

It's been a 'Wow!' at the Top within the Sensitive Indices & an 'Ow!' in the rest of the Market, it's like trading in two different segments



The information provided in the article is meant only for general reading purposes and the views being expressed only constitute opinions and therefore cannot be considered as guidelines, recommendations or as a professional guide for the readers. Before making any investments, the readers are advised to seek independent professional advice, verify the contents in order to arrive at an informed investment decision. The contents available in the article are as on a particular date; therefore the viewers/ investors may at their discretion, seek latest/ updated information



It's knocked the Senses of & Sense into all of us in Equities. FOMO in the Hope of some Gain has instead culminated in Refrain & Pain

If you look at Market Cap (\$ 2.1 Trillion) to GDP (\$ 3.05 Trillion FY 20 Budget Estimate) we're comfortable at 0.7 going forward. We were at 1.9 pre Lehman 2007/8! However our Nifty & Sensex Trailing PE & PBV Multiples are north of 28 & 3 respectively on expectations of significantly higher Corporate Earnings in FY 20. This could be a bummer as Expectations may need to get muted as we chug along this year.

Value is being questioned, doubted and re-defined when seemingly stable & relatively good fundamental companies have corrected significantly to quote at lower Price Earnings & Price to Book Multiples. In the much maligned, & rightly so, NBFC Sector one sees outperformers like Bajaj Finance on one side & wealth destroyers like L & T Finance & Aditya Birla Capital on the other despite pedigree parentage in all.

Nervousness, worry & concern has grown with portfolio values dropping in both Equity & Debt through Bond Defaults in the latter by seemingly solid companies

So what should be the Investment approach & strategy going forward?

The Discipline of Asset Allocation in sync to your risk profile needs to be continuously reiterated

In Equity, & it should be a part of your Portfolio, a less riskier defensive & protective approach is to either simply practice Passive Index Investing (not my preferred approach, see below) which will not require Selection of Companies for your portfolio. The Returns would be in line with the Indices. Alternatively have an exposure only to headline top quality high Index weightage companies. Don't grudge those who take higher risk to seek higher active gains by taking an exposure to Companies that are in the Non Sensex or Nifty Space. There will be quite a number of interesting genuine opportunities especially in the space of Infrastructure in the 'fastest growing major world economy' that's India. It would be worthwhile to consider these for portfolio outperformance potential. My Long Term Equity approach has always been to avoid Index Investing & create a hybrid Core & Non Core Selections Equity Portfolio with weightage based on one's risk profile for potential outperformance. For those aggressive, indulgence when indicated, in trading in the short term or in a higher risk tactical positioning in just a few Non Core Selections may result in huge Wealth Creation

Ah! The Million Dollar, or should I say the Five Trillion Dollar Question! Which Non-Core Selections?

Do your Homework well & all the best in Equity

Cheers,

Gaurav Parikh

*Stock of the Quarter***BAJAJ ELECTRICALS LTD****Recommendation: Accumulate**
Cmp Rs. 466 | Upside 38%**About the Company:**

BAJAJ Electricals Ltd (BEL) promoted by Mr. Shekhar Bajaj is a part of Bajaj Group with its presence since last eight decades. The company's business is spread across – Consumer Products (Appliances, Fans, Lighting), Exports, Luminaires and EPC (Illumination, Transmission Towers and Power Distribution). It is well positioned in consumer appliances and it is a leader in several kitchen and domestic appliances. It has 19+ branch offices & 460+ customer care centres spread in different parts of the country besides being supported by a chain of authorized dealers, retail outlets, exclusive showrooms called 'Bajaj World'. BEL has a presence in the hi-end range of appliances with brand like Morphy Richards in India. BJEL also has several foreign tie-ups for various products/solutions offerings.

Investment Rationale :**High margin orders in EPC segment provide visibility & profitability:**

BEL in its EPC division has shown good growth in FY19. Its strategy of timely execution of orders has helped it achieve growth of 7% YoY. EPC segment continued its execution of power distribution projects under the 'Saubhagya Scheme' in UP, which formed a sizeable proportion of the EPC turnover. BEL booked the revenue of Rs 1600 Cr (50% of total UP) and it is looking to finish its remaining low margin UP project on fast track mode. It is expected to get complete by FY20. Overall margins were affected during the period due to low margin UP projects. With the recent order inflows, the current order backlog in EPC segment is very strong and has a healthy order book of Rs. 4844 Cr comprising of Rs. 700 Cr for transmission line, Rs. 4032 Cr for power distribution and Rs. 112 Cr for illumination projects. Margins are expected to recover after complete execution of UP project. The EPC segment revenue is expected to moderate with management guiding for Rs 3000 Cr revenue in FY20E because of its focus only for high margin orders. This will help release working capital and, thus, reduce debt. Also management has targeted contribution of this segment in total topline to be around 50% of the total revenues going forward.

Nationwide distribution network with RREP to boost distribution:

BEL owns one of the strongest and largest distribution networks in the consumer appliances space. Widening of its distribution reach, constant product innovations with the Range & Reach Expansion Programme (RREP) has helped BEL achieve its lost market share. RREP which was implemented in Jammu & Kashmir, Himachal Pradesh and North-East states with an aim to increase reach and range of its products with dealers rather than their traditional wholesale led model. RREP has now been fully rolled out pan India, which helps the company to reach out to end consumers through more than 2,05,000 retail outlets across the country. This has given the company an edge over the competition in terms of product availability and reach, leading to higher volume growth in the Consumer Durable division. Guiding 20% revenue growth aided by a 7% sustainable EBIT margin in FY19. We expect RREP would enhance growth prospectus and the performance in future years giving BEL an edge over competition.

Improving performance in Consumer Durable segment:

BEL's consumer segment has delivered good performance in terms of top line growth and margins. Overall revenues managed to grow at 15% YoY on the back of strong performance of consumer segment. Consumer segment includes Appliances (22%), Fans (19%), Lightning (6%). BEL also launched new products in the appliances (mixers, grinders, air coolers, etc), luminaires (Dazzle, Domino Dyna, Edge and Amaze), lighting and fans segments. The growth during the year was led by lighting products, fans and certain kitchen and domestic appliances. It is clear that the segment has started reaping the benefits of RREP program which was initiated to expand the segments reach. BEL aims to grow its consumer product sales ahead of industry with a 100bps margin expansion. The management has guided for strong revenue growth in this segment by 20-25% in coming years.

Acquisition provides synergies:

BEL acquired non-stick cookware maker Nirlep Appliances for Rs 42 Cr to strengthen its position in kitchenware category. This acquisition will provide synergies such as such as exclusive access to the Nirlep brand. Management has guided that they are creating placements across distribution network and we believe upcoming festive season to gauge the traction in it. Further, we believe revival in volume growth coupled with a price hike (due to a change in product mix) would help trigger margins and thus profitability of the business going ahead.

Mview :

We believe BEL is a strong candidate for a re-rating owing to the strong performance of the E&P division and a recovery in sales of CD products with RREP. In addition to this, we also believe Bajaj being a strong brand in the consumer product category would gain market share from unorganised players going forward. On the other hand, a sustained performance of the E&P segment (owing to execution of higher margin orders) would aid the future performance of the company. We believe BEL earning growth is expected to grow BY 30% average, respectively in FY20E-21E supported by an increase in EBITDA margin near 6% and sustainable PAT margin around 3%. Hence considering the above rationales for investment, we recommend investors to "ACCUMULATE" with target price of 645/share in 12-18 month investment horizon.

Financial Overview**Profit and Loss Statement (Rs Cr)**

Particulars	FY18	FY19	FY20E	FY21E
Income From Operation	4716	6679	7681	9218
YOY Growth		42%	15%	20%
Expenditure				
Cost of Material Consumed	327	497	485	636
Changes in Inventory	2788	4222	4658	5590
Employee Benefit Expense	318	361	507	576
Other Expenditure	681	815	1063	1244
Excise Duty	9	0	27	16
Erection/Subcontracting exp	310	444	514	612
Total	4434	6339	7253	8674
EBIDTA Rs	283	340	428	544
YOY Growth		20%	26%	27%
EBIDTA Margin	5.99%	5.09%	5.58%	5.90%
Interest	59	118	125	142
Depreciation	34	44	53	64
PBT	190	179	250	338
Other Income	53	65	75	95
PBT	243	244	325	432
Tax	81	88	114	152
PAT Rs	162	156	211	281
YOY Growth		-3.77%	35%	33%
PAT Margin %	3.44%	2.34%	2.8%	3.0%
EPS	8.23	15.03	20.64	27.43

Source : Msearch, Capitaline

The information contained in this report is obtained from reliable sources and is directed at investors. In no circumstances should it be considered as an offer to sell/buy or, a solicitation of any offer to, buy or sell the securities or commodities mentioned in this report. No representation is made that the transactions undertaken based on the information contained in this report will be profitable, or that they will not result in losses. Mehta Groups and/or its representatives will not be liable for the recipients' investment decision based on this report.

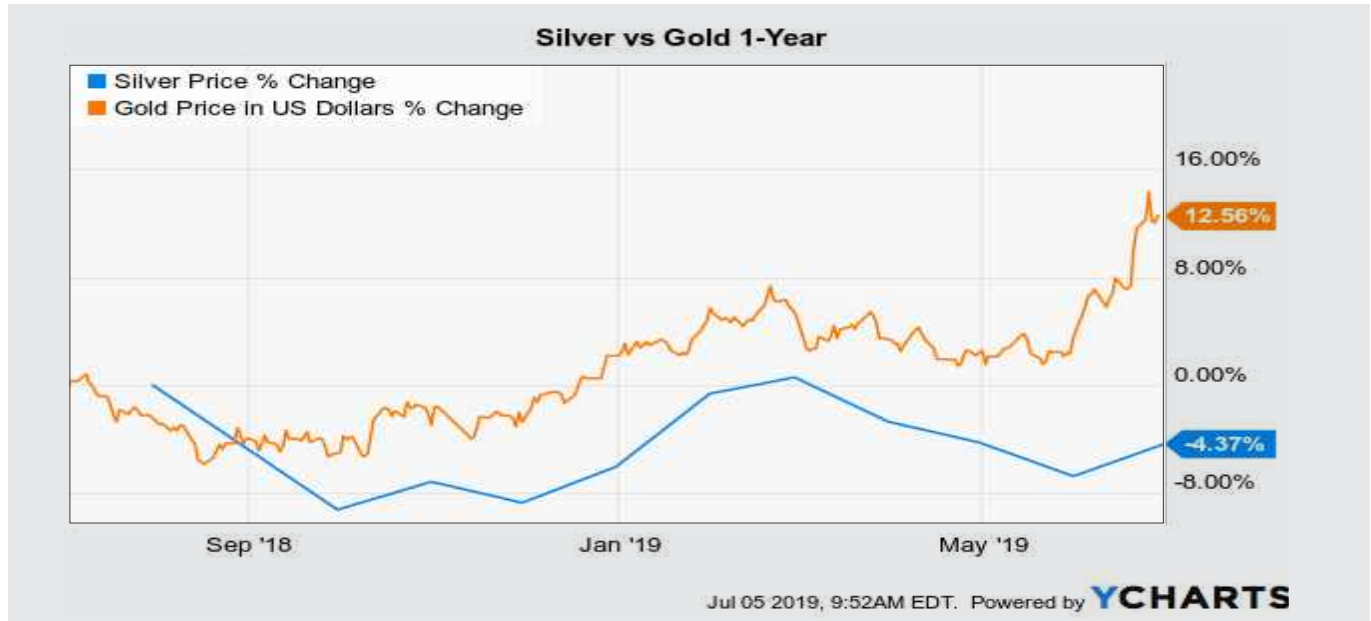


Silver Outlook

Silver Outlook

In last one month we seen heavy jump gold price but still we see the massive underperformance silver has experienced since the bottom of the bear market in 2016. Moreover, silver has lagged substantially over the last 12 months, and is down by about 4.5% while gold is up by nearly 13%.

The gold to silver ratio is at around 93 right now, its highest level in at least two decades. This indicates that silver is at its cheapest point relative to gold in at least 20 years. The significance here is that every time the ratio has gotten close to being this skewed it preceded major bull markets in silver.



However, this is typical in bull market cycles, as silver normally begins to outperform in the mid to late stages of a bull run. I view this as a typical phenomenon which represents a substantial long-term buying opportunity. Gold is the dominant metal in the PM market, thus it is logical for market participants to flock to gold during certain market conditions.

However, an important factor to consider is that many of the macroeconomic factors that cause gold to appreciate apply to silver as well. The Fed's easing policy, an increasing monetary base, a weaker dollar, and lower bond yields are not only bullish for gold but are bullish for silver as well.

Sentiment could change quickly, and due to silver being a relatively small market, prices could surge substantially in a short time frame. The gold to silver ratio is also suggesting that prices could begin to move much higher shortly.

Outlook: After touching a high of 38,590, silver price has cooled off a bit recently. The short-term outlook for MCX Silver is positive, 37,500 is good level to enter in buy and is likely to touch the immediate target of 39,900-40,500 per kilogram. This view would be under threat if the price falls below 36,300. Until 36,300 is breached, there would be a strong case for a rise to 41,500 and beyond.





Recent Events

AP Connect 2019



Udaipur Commodities Awareness Programme





RELIANCE

MUTUAL
FUND

Wealth Sets You Free



sponsored by Reliance Capital
Nippon Life Insurance Company



More Details Scan



SIP

Your SIP investment may also come with protection!

Now Insurance cover in your SIP is upto ₹ 50 lakhs*

We've enhanced our SIP Insure feature for you, to encourage
you to continue pursuing your financial goals uninterrupted!

ASK THE EXPERTS HOW

FOR MORE INFO CONTACT OUR RELATIONSHIP MANAGER

Mr.Vinay Tiwari : Directline - +91-22-6150 7145 | Boardline - 91-22-6150 7100 | EMAIL - vinaytiwari@mehtagroup.in

*Disclaimer : MEHTA EQUITIES LTD ARN 26010 : Investments in Equities/ Mutual funds/other
instruments are subject to market risks, read all scheme related documents carefully.

MEHTA



REWARDING RELATIONSHIPS

OUR SERVICES

BROKING

- EQUITIES - BSE, NSE & MSEI
- DERIVATIVES - NSE
- COMMODITIES - MCX & NCDEX
- DIAMOND - ICEX
- CURRENCY - NSE

WEALTH MANAGEMENT

- DEMAT SERVICES - CDSL
- PMS & AIF
- LOAN AGAINST SHARES
- RESEARCH ADVISORY
- DISTRIBUTION - MUTUAL FUNDS/IPO/BONDS

Disclosures: The following Disclosures are being made in compliance with the (herein after referred to as the Regulations). Mehta Equities Ltd. (MEL) is a SEBI Registered Research Analyst having registration no. INH000000552. MEL, the Research firm as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MEL is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and BSE Limited (BSE), Multi Commodity Exchange of India (MCX), National Commodity & Derivatives Exchange Ltd. (NCDEX) & ICEX for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products. Neither MEL nor its associates or the Research Analyst(s) named in this report or his/her relatives individually own 1% or more securities of the company(ies) covered under this report, at the relevant date as specified in the SEBI (Research Analysts) Regulations, 2014 but MEL and/or its associates and/or Research Analyst may have actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report. MEL and its associate company(ies), their directors and Research Analyst and their relatives may, from time to time, have a long or short position in, and buy or sell the securities or derivatives thereof of companies mentioned herein. MEL and its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. To enhance transparency, MEL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report. MEL and/or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MEL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. **Terms & Conditions:** This report has been prepared by MEL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MEL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose only and clients has to initiate decision to buy or sell or hold, considering their own risk before investing, MEL will not treat recipients as customers by virtue of their receiving this report. MEL may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and must not alone be taken as the basis for an investment decision. **Analyst Certification:** The views expressed in this research report accurately reflect the personal views of the analyst(s) and investment committee(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The research analyst fulfils all the qualification required as per SEBI Research Analyst Regulations 2014. **Disclosure of Interest Statement:** Analyst ownership of the stock: No

903, Lodha Supremus, Dr. E. Moses Road, Worli Naka, Mumbai - 400018

Tel: +91 2261507100 / Fax: +91 2261507102 / Website: www.mehtagroup.in / Email id: info@mehtagroup.in

Dealing Desk : 022-61507118/119/120 Research Desk : 022-61507123/124/142 Commodity Desk : 022-61507125/126/128

Risk Management Desk : 022-61507135/136/137 Mutual Fund Desk : 022-61507144/145/147

Wealth Management Desk : 022-61507197 IT Desk : 022-61507157/158/137 Backoffice Desk : 022-61507169/170/172

Compliance Desk : 022-61507179/180 Account Desk : 022-61507183/184/185