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# MCONNECT
A MAGAZINE

## INDIANS TRADITIONALLY HAVE BEEN GREAT 'SAVERS' BUT NOT GOOD 'INVESTORS'

**CA RAKESHH MEHTA**
CHAIRMAN,
MEHTA GROUP

## HIGHLIGHTS

**STOCK OF THE QUARTER**
RBL BANK LTD.

**MARKET OUTLOOK BY**
Mr. Navneet Munot
CIO, SBI Mutual Fund

MUTUAL FUNDS Sahi Hai

# IS THE VOLATILE MARKET MAKING YOU PANIC?

# DON'T LET IT.


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## INVESTING IN STABLE STOCKS AND EARN HIGH RETURNS ON INVESTMENTS.

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FOR MORE INFO CONTACT OUR RELATIONSHIP MANAGER

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# INDIANS TRADITIONALLY HAVE BEEN GREAT '**SAVERS**' BUT NOT GOOD '**INVESTORS**'

*Dear MConnect Reader,*

The last 4 years have been one of the most exciting phases in the history of Indian financial markets and for the first time ever, we saw the dominance of the Indian retail investors in the equity markets, especially through the mutual funds route.

Indians traditionally have been great '**SAVERS**' but not good '**INVESTORS**'. Both the terms used to be confused with each other and most of savings went into gold, real estate and fixed deposits. However, what is happening now is nothing short of a revolution with people preferring more of financial assets as compared to physical assets and within the realm of financial assets, the preference is mainly towards smarter investment products like mutual funds and Direct equity. This shift in investor preference is the first step towards financial freedom for Indian retail investors. On our part, we will continue with our efforts to make investment, the preferred choice of each and every household in this country.

Currently equity markets are volatile due to some well-hyped reasons for investors to be cautious, market will rise and fall in the course of multiple news flows from all grounds. Be it higher crude levels, higher rupee, increasing interest rate scenario, trade war tensions and local political saga dragging markets and disturbing sentiments of all categories of investors.

## *For Investors:*

For a long-term investor, if you really understand the company and if you have faith in the management and business dynamics, these are brilliant opportunities to buy quality companies. Wherever the management is solid, they will be able to weather this storm and come out stronger.

Hence, at this point, if you do not understand the company or market sentiments, do not buy individual companies; rather invest your money in a mutual fund/PMS. But if you do understand companies and long-term market fundamentals, then these are great opportunities.

While, we continue to remain committed in our efforts to ease and further enhance your investment journey with us,

*!! Happy Investing !!*

**Mehta Group Wishes Everyone**
*Happy Dussehra,*
*Happy Diwali and a Prosperous New Year*

**CA Rakeshh Mehta**
Chairman,
Mehta Group

# RBL Bank Ltd. (RBL)

Recommendation: Accumulate/Buy
Market Cap : Rs. 21,300 Cr.

## ABOUT THE COMPANY

RBL Bank Ltd (RBL) is one of India's fastest growing private sector banks with an expanding presence across the country. The Bank offers specialized services under six business verticals namely: Corporate & Institutional Banking, Commercial Banking, Branch & Business Banking, Agri Business Banking, Development Banking and Financial Inclusion, Treasury & Financial Markets Operations. In the past five years, the bank has focused on building a comprehensive product suite, improving risk management, upgrading technology by implementing a new-age core banking system platform and expanding its distribution network. It currently services over 4.90 mn customers through a network of 266 Branches, 199 Banking Outlets and 369 ATMs spread across India.

## Investment Rationale

### EFFICIENT MANAGEMENT THE KEY TO GROWTH:

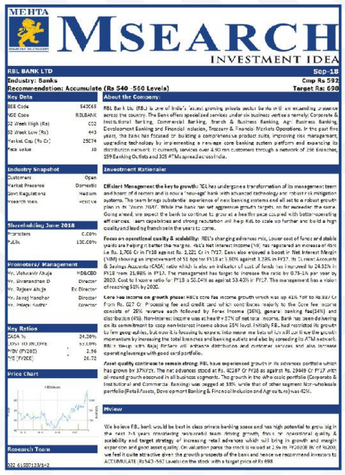
RBL has undergone a transformation of its management team and board of directors and is now a 'new-age' bank with advanced technology and robust risk mitigation systems. The team brings substantial experience of new banking systems and all set to a robust growth plan in its 'Vision 2020'. While the bank has set aggressive growth targets, so far exceeded the same. Going ahead, we expect the bank to continue to grow at a healthy pace coupled with better-operating efficiencies. Team capabilities and strong reputation will help RBL to scale up further and build a high quality and leading franchise in the years to come.

### FOCUS ON OPERATIONAL QUALITY & SCALABILITY:

RBL's changing advances mix, Lower cost of funds and stable yields are helping it better the margins. RBL's Net Interest Income (NII) has registered an increase of 45% i.e Rs. 1,766 Cr in FY18 against Rs. 1,221 Cr in FY17. Bank also enjoyed a boost in Net Interest Margin (NIM) showing an improvement of 51 bps for FY18 at 3.80% against 3.29% in FY17. Its Current Accounts & Savings Accounts (CASA) ratio which is also an indicator of cost of funds has improved to 24.32% in FY18 from 21.98% in FY17. The management has target to increase the ratio by 0.75-1% per year by 2020. Cost to Income ratio for FY18 is 53.04% as against 53.46% in FY17. The management has a vision of reaching 51% by 2020.

### CORE FEE INCOME ON GROWTH PHASE:

RBL's core fee income growth which was up 41% YoY to Rs.887 Cr from Rs. 627 Cr. Processing fee and credit card which contributes majorly to the Core fee Income consists of 28% revenue each followed by Forex Income (16%), general banking fee(14%) and distribution (4%). Non-Interest income was at healthy 37% of net total income. Bank has been delivering on its commitment to keep non-Interest income above 35% level. Initially RBL had restricted its growth to few geographies, but now it is focusing to expand into newer markets which will continue the growth momentum by increasing the total branches and banking outlets and also by spreading its ATM network. RBL's tie-up with Bajaj FinServ will enhance distribution and customer services and also increase operating leverage with good card portfolio.




### ASSET QUALITY CONTINUES TO REMAIN STRONG:

RBL have experienced growth in its advances portfolio which has grown by 37%YoY. The net advances stood at Rs. 40267 Cr FY18 as against Rs. 29449 Cr FY17 with all-round growth observed in all business segments. The growth in the Wholesale portfolio (Corporate & Institutional and Commercial Banking) was pegged at 33%, while that of other segment Non-wholesale portfolio (Retail Assets, Development Banking and Financial Inclusion and Agriculture) was 42%.

### MVIEW:

We believe RBL bank would be best in class private banking space and has high potential to grow big in the next 2-3 years considering resourceful team driving growth, focus on operational quality & scalability and target strategy of increasing retail advances which will bring in growth and margin expansion and good asset quality. On valuation parse the stock is valued at 2.9x its FY2020E BV of Rs200; we feel it quite attractive given the growth prospects of the bank and hence we recommend investors to ACCUMULATE (Rs 540 -560 Levels) on the stock with a target price of Rs 698.

Disclaimer applied as per Page No. 12.*

## Financial Overview

| Particulars | FY 17 | FY 18 | FY 19E | FY 20E |
|---|---|---|---|---|
| Interest Earned | 3713 | 4561 | 5457 | 6439 |
| Other Income | 755 | 1068 | 1194 | 1459 |
| **Total Income** | **4468** | **5629** | **6651** | **7898** |
| Interest Expended | 2491 | 2740 | 3194 | 3792 |
| **Operating Expenses** | | | | |
| Employee Cost | 446 | 582 | 599 | 711 |
| Other Operating Expense | 610 | 966 | 1141 | 1355 |
| **Total Expenses** | **3547** | **4288** | **4934** | **5859** |
| **Op. Profit before Provision** | 920 | 1341 | 1718 | 2040 |
| Provisions | 238 | 367 | 521 | 618 |
| **Profit before Tax** | 682 | 974 | 1197 | 1421 |
| Tax Expense | 235 | 335 | 413 | 490 |
| **PAT before Minority Int.** | 447 | 639 | 784 | 931 |
| Minority Interest | 1 | 7 | 0 | 0 |
| **PAT** | **448** | **632** | **784** | **931** |
| **EPS** | **12.61** | **15.70** | **18.63** | **22.12** |

# WE ONLY BELIEVE IN GIVING MORE CHOICES

## Portfolio Management Service

### Mehta Multi-Focus Strategy (MMFS) PMS

- MMFS is a SEBI registered portfolio management service (PMS).
- It provides non-discretionary and advisory services.
- MMFS PMS will allocate funds across different investment strategies within investment criteria like under research, under owned, high operating cash flow yields, high barriers to entry, market leadership, deep discount to replacement cost etc.
- PMS will allocate funds across three investment strategies:

1) ***Transformational (upto 60% of AUM)*** - Focus is on deep value small and midcap stocks which have the potential to emerge as market leaders. Holding period is 3 years. Investment will be diversified in 6-10 stocks.

2) ***Dynamic Thematic (Upto30% of AUM)*** - Strategy is to have exposure to maximum of two sectors and concentrating investing in 3-5 companies. It is a time bound investment generally holding stocks for a period of 18 months.

3) ***Quasi Cash stocks (Upto 10% of AUM)*** – Investment would include in 2-3 blue chip stocks that are industry leaders as an alternative to holding cash in portfolio. Aim is to maintain liquidity in portfolio for any sudden opportunities that may arise to buy stocks at extremely attractive valuations.

## Alternative Investment Fund

### Sistema Asia Fund India (AIF)

- Sistema Asia Fund India is a SEBI registered category II Alternative Investment fund (AIF).
- Mehta Equities is the exclusive partner with Sistema (A Russian Conglomerate with interest in Telecom, Retail, Real Estate, Technology, Healthcare etc.) for this fund.
- Experienced team has a unique blend of VC Investing, operational build-up and M&A skills.
- It will invest in Series B+ rounds of technology enabled portfolio companies located in India with gateway platform between India / SEA and Russia / Europe.
- Consistent Profitable asset monetization's and exits with Multifold Returns.
- Demonstrated Value has been created to a variety of businesses.
- Mid-Stage investing is under-represented in India and offers an attractive playing field.

**FOR MORE INFO CONTACT OUR AVP WEALTH MANAGEMENT**

Mr. Sagar Doshi : **Directline:** +91-22-61507197 I **Boardline:** +91-22-61507100 I **Email:** sagar.doshi@mehtagroup.in

SBI
MAGNUM MULTICAP FUND
An open-ended Equity Scheme investing across large cap, mid cap, small cap stocks

SBI MUTUAL FUND
A PARTNER FOR LIFE

# ONE FUND FOR MANY TASTES.

INVESTS IN LARGE, MID & SMALL CAP STOCKS.

## KNOW YOUR FUND

SBI Magnum Multicap Fund is a fund for all tastes. The fund can invest across large, mid and small cap stocks, depending on the market phase and the opportunities available. This enables the fund to capture the growth potential across the market capitalisation range, thus benefiting from being agile in its investment philosophy, whatever the market phase may be.

### INVESTMENT OBJECTIVE

To provide investors with opportunities for long-term growth in capital along with the liquidity of an open-ended scheme through an active management of investments in a diversified basket of equity stocks spanning the entire market capitalization spectrum and in debt and money market instruments.

### KEY HIGHLIGHTS

- The scheme will follow a bottom-up approach to stock picking and choose companies across sectors/styles
- The scheme will invest in diversified portfolio of stocks across market capitalization i.e. large cap, mid cap and small cap
  Large Cap Stocks : 1st - 100th company in terms of full market capitalization
  Mid Cap Stocks : 101st - 250th company in terms of full market capitalization
  Small Cap Stocks: 251st company onwards in terms of full market capitalization
- Follows an extensively researched stock selection process with top picks of the respective sector analyst making the portfolio
- Suitable for investors who wish to benefit from growth across the market whatever the situation may be
- A multicap strategy enables the fund to have an optimal allocation to a market-cap based on the opportunities available, thus benefiting from long-term capital appreciation potential and liquidity to the portfolio

### FUND DETAILS

- **Fund Manager**: Mr. Anup Upadhyay
- **Managing Since**: February 2017
- **Total Experience**: Over 13 years
- **Benchmark:** S&P BSE 500 Index

- **Exit Load**: For exit within 1 year from the date of allotment -1%; for exit after 1 year from the date of allotment – Nil
- **Entry Load**: N. A.
- **SIP**: 'Any Day SIP' Facility is available for Monthly, Quarterly, Semi-Annual and Annual frequencies through electronic mode like OTM/Debit Mandate. Default SIP date will be 10th. In case the SIP due date is a Non-Business Day, then the immediate following Business Day will be considered for SIP processing.

**Weekly** - Minimum ₹1000 & in multiples of ₹1 thereafter for a minimum of 6 installments

**Monthly** - Minimum ₹1000 & in multiples of ₹1 thereafter for minimum six months (or) minimum ₹500 & in multiples of ₹1 thereafter for minimum one year

**Quarterly** - Minimum ₹1500 & in multiples of ₹1 thereafter for minimum one year

**Semi Annual** - Minimum ₹3000 & in multiples of ₹1 thereafter for a minimum of 4 installments

**Annual** - Minimum ₹5000 & in multiples of ₹1 thereafter for a minimum of 4 installments

**Minimum Investment**: ₹1000 & in multiples of ₹1

**Additional Investment**: ₹1000 & in multiples of ₹1

**Plans Available:** Regular, Direct

**Options:** Growth, Dividend

- **Quantitative Data:**
  Standard Deviation#: 13.85%
  Beta#: 0.95
  Sharpe Ratio#: 0.65
  Portfolio Turnover*: 0.73

#Source: CRISIL Fund Analyser *Portfolio Turnover = lower of total sale or total purchase for the last 12 months upon Avg. AUM of trailing twelve months. Risk Free rate: FBIL Overnight Mibor rate (6.45% as on 31st August,2018 Basis for Ratio Calculation: 3 Years Monthly Data Points Ratios are computed using Total Return Index (TRI) as per SEBI Circular dated Jan 4, 2018.

**Data as on**: 31st August, 2018

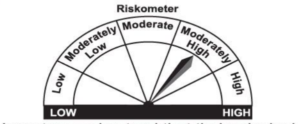
## WHY INVEST WITH SBI MUTUAL FUND?

Proven experience of over 30 years in fund management across market cycles, asset classes and styles.

SBI Funds Management Private Limited (the asset management company of SBI Mutual Fund) is a Joint Venture between State Bank of India, the Banker to every Indian, and AMUNDI, one of the world's leading asset management companies.

Network of 180 SBI Mutual Fund branches across India to serve our investors.

Committed to innovation, ethics and simplifying investment decision making for our investors.



Investors understand that their principal will be at moderately high risk

SBI Magnum Multicap Fund is suitable for investors who are seeking^:

- Long term capital appreciation
- Investments in a diversified basket of equity stocks spanning the entire market capitalization spectrum to provide both long-term growth opportunities and liquidity

^Investors should consult their financial advisers if in doubt about whether the product is suitable for them

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**Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**

# VIEW ON INDIAN ECONOMY AND THE MARKETS

The year thus far has broadly been a payback year following 2017's high financial market returns and unusually-low volatility. Developed market equity return (MSCI World) has posted a muted growth of 3.3% after rising 20% in 2017. Emerging market equities (MSCI EM), on the other hand, fell 12% YTD. Indian NIFTY has risen 7% YTD in local currency terms but delivered a negative return of ~5% in USD terms (owing to 12 % depreciation in rupee YTD).

The up move in Indian equity (in local currency terms) can be explained by confluence of factors such as continued participation by domestic investors, consumption oriented Indian growth leaving it less vulnerable to trade tensions and healthy earnings outcome in 1Q FY19. DIIs have invested US$ ~11 billion YTD, as against marginal selling by the FIIs. That said, it is a narrow band of companies that had participated in recent upside. Return in BSE 500 index was nearly flat at 1%. Performance down the capitalization curve has also been poor with mid and small cap down 11% and 16 % YTD respectively.

NIFTY companies clocked10% y-o-y earnings growth in 1Q FY19. But excluding three corporate banks, PAT growth was robust at ~25%. Weak performance of thesefinancial companies was primarily due to higher provisions and MTM treasury losses.

Aggregate 1QFY19 revenue growth continues the strong momentum with double-digit growth in most of the NIFTY 50 companies reflecting the improvement in domestic economic activity. The same trends were also being resonated by various economic activity data and the latest (Q1 FY19) GDP data which took the market by surprise (8.2% y-o-y vs. expectation of 7.6%).EBITDA growth was healthy at 17% but missed the estimated strength.

**Mr. Navneet Munot**
CIO–SBI Mutual Fund

Margins moderated on rising raw material cost. They may remain under pressure for some timeas rupee slides, raw material and interest costs escalate and competitive pressures in few sectors (telecom, aviation, staples and auto) inhibits the capacity to take the parallel price hikes. With 2-3% downgrades, FY19 earnings growth is now placed at nearly 19%.

Looking at the valuations, Nifty is trading at ~ 19 times forward earnings. Earnings yield isat 60% premium to bonds (highest level since 2012). India MSCI P/E compared to MSCI EM index is at 66% premium which is a record high. Sectorally, valuations have been re-rated across most sectors while IT, consumer staples, healthcare and energy are trading higher than their historical trend.

The rally in equity indices has come amidst macro headwinds andupcoming political uncertainty.Core inflation has crossed 6% since April, while current account deficit is expected to widen to 2.5-2.8% for FY19 (vs. 1.9% in FY18 and 0.7% in FY17).While it is too early to say with certainty, the central government seems to be walking a tight-rope and may find it difficult to achieve the budgeted target of 3.3% of GDP. GST, thus far, is running below the required run-rate. Any attempt to lower excise duties on petrol and diesel or take the MSP/farm benefits higher would make a fiscal dent. Further, the government is aiming to scale up the benefits under various schemes, all of which entails a higher than the budgeted cost or pruning expenses somewhere. A part of these costs could also be borne by deploying all the other balance-sheet at hands (such as various quasi government bodies or public sector enterprises) - which in essence could lengthen the receivables for private sector, extend their working capital needs and imply a partial crowing out of funds available for private sector.

To sum, apart from growth, we see macro-economic indicators deteriorating at the margin. And hence, even as we remain positive on the medium-term structural story,in the near-term, the richness in valuations command increased importance to stock selections.

With the RBI giving a 50bps of pre-emptive rate hike (in June and August), we expected the central bank to take a pause in the October meeting. The same can also be reinforced by the headline inflation reining back to RBI's target level (August Inflation at 3.7%, though core is high).

However, one needs to take cognizance of surmounting worries in the emerging market currencies, particularly the ones with current account deficit such as India. Rupee reached its lowest level vs. US$ as contagion fears from Turkish crisis weighed on EM currencies and domestic trade deficit surged to a five year high of US$18.0billion in July.RBI has actively intervened as FX reserves deplete by US$ 25 billion FYTD. While Indian fundamentals are relatively better than some of the high yielding currencies, Indian rupee has been amongst the weakest of the lot and given in to the contagion pressures and worries of the rising crude prices. Brent moved up to US$ 79/bbl, as the US sanctionson Iran led to a steep drop in Iranian oil exports this month. Given that India is one of the largest oil importer and imports nearly 85% of its oil needs, hence the currency impact.

In terms of valuations, the rupee is now trading closer to the longer-term trend. That said, the valuations typically tend to work over a medium to long-term. In the near-term, EM assets are inthe slippery zoneand as such, the continued pressure on rupee could not be ruled out. If the currency pressure sustains, the calculus of the October policy meeting could change.

10-year G-sec yield has crossed 8% to factor in these challenges (currency and oil), apart from lower than expected government tax collections. As such, we maintain the cautious stance on bond market and a tactical approach to duration. Notwithstanding the near-term hazy outlook, investors should consider SIPs in fixed income funds as valuations enter an attractive zone. Timing the market may not be easy!

## Equity Outlook

Historically speaking, panic selling based on some news or events can only be good buying opportunities. Irrational movement's offers good buying opportunity in quality companies because of so-called fear is hypothetical and, hence, won't last long. Once the fear subsides, these stocks will rebound. As Warren Buffett had quoted "The best thing happens to us when a great company gets into temporary trouble and Buy the business when irrationality hits quality stock". We believe that long term fundamentals have not changed and the market over-reacted for short to medium term.

In the mean while we are witnessing combination of things happening, and markets do not become weak in one or two days, it is a combination of the fact that global oil prices have gone higher and fear that could go even higher. The US economy is doing well and a lot of money is flowing back from emerging markets into developed markets, particularly into the US making the dollar stronger. A stronger dollar is never good news for a country like India. Also, a higher oil price is not good news for India which in turn puts the results under pressure and leads to rise in current account deficit.

### Medium Term Factors Weighing Domestic Sentiments

- **Earnings Expectations:** Street largely believes that earnings will rebound in the second half of this year which will be driving market sentiments.
- **Election Expectations:** Market is ready to face key elections in BJP-ruled Chhattisgarh, Madhya Pradesh, Rajasthan, and Mizoram in 3rd quarter of this year which will set the direction for general election next year. This would have a material impact on the movement of markets an year preceding the election date and can give an indication of the likely outcome in 2019.
- **Trade Tension Continues to Rise:** Tariffs on $200 billion worth of Chinese imports to the US will be effective on Monday and $110 billion of goods from the US will start conceding Chinese tariffs around the same time. Next week's trade talks between the US and China have been shelved. While globally stock markets seem to have shrugged off the concerns, the question looms if the US will go ahead with another tariff on $267 billion of Chinese goods. Tariff wars will be the reason the US Fed would be constrained to increase rates because the cost of goods sold in the US to consumers would be higher due to tariffs.

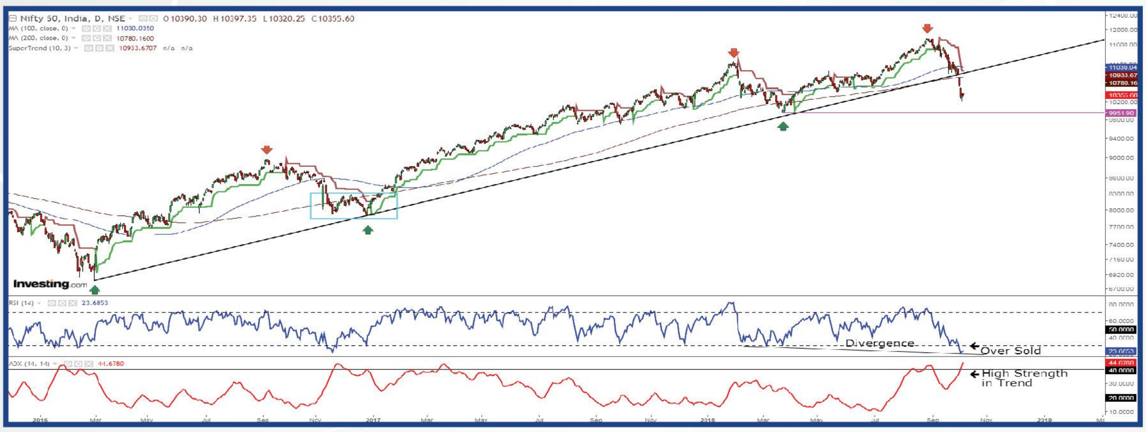
Besides the above-mentioned factors, rupee's movement and global crude oil price will also have a say in the market. Plus, Sebi's revised norms on foreign investments by Indians based abroad are also expected to influence foreign portfolio investments.

### For Long Term Investors

For a long-term investor if you really understand the company and if you have faith in the management and business dynamics, these are brilliant opportunities to buy quality companies. Wherever the management is solid, they will be able to weather this storm and come out stronger. Hence, at this point. If you do not understand the company or markets sentiments, do not buy individual companies; rather invest your money in a mutual fund the best way to diversify risk. But if you do understand companies and long term market fundamentals, of then these are great opportunities.

### For Traders

Since 2016 nifty was in a bull run making higher highs and higher lows. After the recent fall in Nifty things look ambiguous, Nifty breached its 100 and 200 moving average and also broke its lower trendline. But the positive lookout for Nifty is that it is still above its last low of 9951.9 made on march 2018 and RSI oscillator is making a negative divergence and if we see historical data, we can see that Nifty fell with the same intensity in November 2017, Nifty consolidated below its 200 moving average for almost a month before giving a bull move confirmation. We expect the same in the present situation that Nifty will consolidate before giving any up move. Major support is at 9951.9 and resistance at its 200 moving average (10780). Both these levels will determine the trend of Nifty.




by Mr. Prashanth Tapse

## Currency Outlook

The INR has witnessed a significant fall in its value over the last few months. The value of the INR against the dollar has fallen by more than 14% in a year, the currency now trades at life time low.

Trends in crude oil prices, domestic political dynamics, global interest rates and developments at the international trade front would be important factors impacting the currency market movement in the near term, Of late, high crude oil prices, unabated foreign fund outflows and escalating trade tensions between the US and China have dampened the market sentiment.

US treasury yields rose sharply ending at 3.06% tracking widening rift in US-China trade friction as well as higher crude prices. Investors expect higher tariff may further stoke inflation and could induce Fed on faster rate hike trajectory Gold ended the session lower amid a rise in the US$ as well as treasury yields. It continues to be anchored near $1200/oz amid a hit to risk sentiment

Foreign institutional investors (FII) have been net sellers to the more than Rs 92000 crore in a year.
RBI & Government are taking some measure to support the INR like India will settle payments for Iranian oil using rupee, RBI might start some intervention by selling dollar. INR accentuating the volatility, we are in a politically charged up year with string of state assembly elections and 2019 Lok Sabha elections. All these factors will keep INR upsides of Indian markets capped.

### Technical Prospect:

- USDINR is currently trading above it 161.8% Fibonacci retracement level (retracement taken from 63.38 to 69.21). Next resistance is near 75.04 (200% fib retracement)
- RSI is in overbought zone and is showing negative divergence.
- Strong support is at 69.50
- ADX is showing strong trend movement so traders should wait for some selling signal before entering in any trade.

## Crude Outlook

Crude oil - Brent, the international benchmark for oil prices, crossed $85 a barrel this week, touching the highest level since November 2014. The current price is almost three times the cost in early 2016 when it was $29 a barrel. The trend may continue in the coming weeks and months. Rising oil prices could cause significant inflation, dampen economic growth and alter geopolitics in multiple ways this year.

Crude Oil gained after Saudi Arabia indicated it was comfortable with a higher price range ahead of a meeting between major producing countries in Algeria. Saudi Arabia said it was comfortable with brent oil above $ 80 a barrel.

However, the market was tempered by an escalation in the China-U.S. trade war that has clouded the outlook for crude demand from the world's top oil consumers.

Crude output from the Organization of the Petroleum Exporting Countries and Russia, rose to a nine-month high in August, to 32.63 million bpd, due to a rebound in Libya production and increases from Iraq, Nigeria and Saudi Arabia, the IEA said.

Non-OPEC supply was also up 2.6 million bpd, led by US production.

However ongoing Iranian and Venezuelan falls in production could risk market tightness. Increased sanctions from the U.S. against Iran, which is a member of OPEC, has put pressure on the organization and could lead to market tightness.

### Technical Prospect:

Technically Prospect: Since past one year crude is in a bull rally, the price is constantly above the 100 moving average and it is acting as a good support for crude oil. Although RSI is near its overbought zone but we can see that ADX has just crossed 20 levels (which means that the trend is getting strong). Crude is getting support at 5200 and below same could see a test of 4980 levels and resistance is now likely to be seen at 5750, a move above could see price will go till 6000 & 6550, in international resistance is $ 92 & $ 100.


by Mr. Rahul Kalantri

## ROLE OF SUB-BROKER (SB) VIS-A-VIS AUTHORIZED PERSON (AP)

SEBI Board in its meeting held on 21stJune, 2018 decided to discontinue with Sub-Broker as an intermediary to be registered with SEBI. The registered Sub-Brokers shall have time till March 31, 2019 in order to migrate to act as an AP and / or Trading Member (TM). The Sub-Brokers, who do not choose to migrate into AP and /or TM, shall deemed to have surrendered their registration with SEBI as Sub-Broker, w.e.f. March 31, 2019. All the existing Sub-Brokers shall be required to pay renewal fees to SEBI up to financial year 2018-19; and renewal fees paid by Sub-Broker for the financial years beyond 2018-19 shall be refunded on receipt of sub-broker cancellation from respective Stock Exchange.

(Source: SEBI Circular No. SEBI/HO/MIRSD/DoP/CIR/P/2018/117 dated 3rd August, 2018)

## ADDITIONAL MARGIN IN EQUITY DERIVATIVES SEGMENT

In view of the recent volatility observed in the market, NSE has proposed to levy additional margins in respect of specified securities.

*Additional margins shall be levied where*

- Intra-day price movement of more than 20%
- Close to close price movement is less than 20%,
- Intra-day price movement shall be computed as change from previous day close to high/low price of day whichever is higher
- An additional margin of 50% of the intra-day price movement above 20% shall be levied as additional margin
- Additional margins shall be specified as a percentage and added to the existing exposure margins of the security. (Details shall be included in the daily exposure file provided on the website)
- Additional margins levied shall be continued for 15 calendar days, provided no further intra-day volatility is observed.
- Additional margins levied shall be reviewed periodically.

The above shall be effective from September 27, 2018 based on data from September 21, 2018.

(Source: NSE Circular No. NCL/CMPT/38967 dated 25th September, 2018)

## HON'BLE SUPREME COURT HAS STRUCK DOWN AADHAR LINKING PROVISION RELATED TO PRIVATE FIRMS

5 Judges Hon'ble Supreme Court constitution bench has upheld the validity of Aadhar. However, the apex court has struck down the section 57 of the Aadhar Act which allows private firms to avail Aadhar data which means it is no more mandatory to link Aadhar in Bank Account, Sim Card, Stock Market or with other financial product/service. But till the date, SEBI/Exchange(s) has/have not yet notified the revised guidelines which may come shortly from the regulator to avoid the ambiguity, around it. It will give big relief for business community as well as investors who were struggling to link Aadhar. At the same time, it will slip away the motive of Indian Government to tap on black money in the market and it will make difficult for government agencies to identify the money laundering in financial market.

(Source: Hon'ble Supreme Court Order dated 26th September, 2018)

## IDENTIFICATION OF BENEFICIAL OWNERS FOR NON-INDIVIDUAL CLIENTS

SEBI has emphasized to Identified Beneficial Owners (BO) for Non-Individual clients. Beneficial Owners means the beneficial ownership and control, i.e. which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted. Thus, it is compulsory for market intermediaries to identify the beneficial owner. It is one of big challenge in compliance to identify BO from layer of corporate ownership. Structured sharing pattern makes difficult the identification of BO but at the same time non-identification attract disciplinary action and higher penalty form regulator(s). So, it is today's need to make it part of routine of KYC without fail instead of avoiding it. Even, Income Tax has also inserted section 285BA with respect to FATCA declaration which also includes the declaration of Beneficial Ownership by all client(s). So, the jumping the barrier will cast more to the violator than following it.

(Source: SEBI Circular No. SEBI/HO/MIRSD/DOS3/CIR/P/2018/104 dated 4th July, 2018)

By Mr. Ritesh Tiwari, Compliance Officer

# THE RICH INVEST IN TIME.

## PUT YOUR MONEY TO WORK

WITH

## MEHTA MULTIFOCUS STRATEGY

A PMS
(PORTFOLIO MANAGEMENT SERVICES)
INITIATIVE BY MEHTA EQUITIES

## PMS - SNAPSHOT

| | |
|---|---|
| INVESTMENT HORIZON | MEDIUM TO LONG TERM (3 YEARS +) |
| PORTFOLIO VALUATION | CLOSING NSE MARKET PRICES OF THE PREVIOUS DAY |
| OPERATIONS | • INVESTMENT MANAGED ON INDIVIDUAL BASIS<br>• THIRD PARTY CUSTODIAN FOR FUNDS AND SECURITIES |
| REPORTING | • MONTHLY PERFORMANCE STATEMENT<br>• TRANSACTION, HOLDING, & CORPORATE ACTION REPORTS<br>• ANNUAL CERTIFIED STATEMENT OF ACCOUNTS |
| HURDLE RATE | 10% PER ANNUM |
| FEES | • MANAGEMENT FEE: 0.25% PER QUARTER OF NAV CHARGED AT THE BEGINNING OF THE QUARTER.<br>• RETURN BASED FEES: 15% PROFIT ABOVE HURDLE RATE WITH CATCHUP CLAUSE<br>• EXIT LOAD: 3% FOR REDEMPTION WITHIN 1 YEAR, 2% WITHIN 2 YEARS |
| MARKET CAP FOCUS (% OF AUM) | • BELOW INR 500 Cr UPTO - 10%<br>• BETWEEN INR 500 Cr to INR 15,000 Cr UPTO - 80%<br>• ABOVE INR 15,000 Cr UPTO - 10% |
| PORTFOLIO AUDITORS | PAREKH SHAH LODHA & COMPANY |
| CUSTODIAN & BANKER | KOTAK MAHINDRA BANK |
| MODE OF PAYMENT | BY FUND TRANSFER/CHEQUE AND/OR STOCK TRANSFER |

## DON'T WORRY LET OUR EXPERTS DO THE WORK & MAKE YOUR INVESTMENT SIMPLER

Mr Samridh Poddar
-CIO

Mr Rajat Mehta
-COO

**FOR MORE INFO CONTACT OUR RELATIONSHIP MANAGER**

**Mr. Yash Sharma:** Directline - 022-6150 7146/147 | Mobile - +91-87935 71114 | Email - pms@mehtagroup.in

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**
- **CORPORATE ADVISORY**
- **DISTRIBUTION** – MUTUAL FUNDS / IPO / BONDS





EFFECTIVE FROM: OCT 2018 I VOLUME 3

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