

Arihant's VALUE *Plus*

Issue | August 2020



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MOVERS & SHAKERS



INDIAN INDICES

Indices	Jul-20	Jun-20	Monthly Change (%)
SENSEX	37606.89	34915.80	7.71 ↑
NIFTY 50	11073.45	10302.10	7.49 ↑
NIFTY BANK	21640.05	21370.15	1.26 ↑
NIFTY MIDCAP 100	15471.30	14704.00	5.22 ↑
NIFTY 500	9035.75	8474.80	6.62 ↑
NIFTY IT	18071.85	14754.30	22.49 ↑
NIFTY REALTY	201.00	202.65	-0.81 ↓
NIFTY INFRA	3153.40	3032.35	3.99 ↑

(Source: BSE & NSE)

BSE SECTORAL INDICES

Indices	Jul-20	Jun-20	Monthly Change (%)
AUTO	16489.64	15275.21	7.95 ↑
BANKEX	24599.48	24293.83	1.26 ↑
CD	21479.24	20338.20	5.61 ↑
CG	12734.81	12858.81	-0.96 ↓
FMCG	11445.45	11258.33	1.66 ↑
HC	18284.76	16262.97	12.43 ↑
IT	18251.00	18176.66	0.41 ↑
METAL	7825.67	7210.02	8.54 ↑
OIL & GAS	13174.29	12668.18	4.00 ↑
PSU	4918.83	4882.37	0.75 ↑
REALTY	1575.68	1581.44	-0.36 ↓
TECK	8840.22	7569.21	16.79 ↑

GLOBAL INDICES

Indices	Jul-20	Jun-20	Monthly Change (%)
DOW JONES	26428.32	25812.88	2.38 ↑
NASDAQ	10745.28	10058.77	6.82 ↑
HANG SENG	24595.35	24427.19	0.69 ↑
FTSE	5897.76	6169.74	-4.41 ↓
NIKKEI	21710.00	22288.14	-2.59 ↓

COMMODITIES

Particulars	Jul-20	Jun-20	Monthly Change (%)
MCX GOLD	53828.00	48560.00	10.85 ↑
MCX SILVER	64984.00	48600.00	33.71 ↑
MCX CRUDE OIL	3023.00	3015.00	0.27 ↑
MCX NATURAL GAS	135.60	130.40	3.99 ↑

(Source: Falcon software)

FOREX

Particular	Jul-20	Jun-20	Monthly Change (%)
USD-INR ₹	74.80	75.59	-1.05 ↓
EUR-INR €	88.52	84.70	4.51 ↑
GBP-INR £	98.20	92.74	5.89 ↑
JPY-INR ¥	71.32	70.15	1.67 ↑

(Source: Falcon software)

FII Activity (Rs. Cr.)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for July 2020	114,867.45	111,752.93	3,114.52
Total for 2020*	939,540.46	964,463.19	-24,922.73

(Source: SEBI)

MF Activity (Rs. Cr.)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for July 2020	56,486.75	65,691.92	-9,205.17
Total for 2020*	507,470.97	480,251.98	27,218.99

*Till 30th July, 2020

(Source: SEBI)

Monthly Market Roundup

In July 2020, domestic market moved positively with benchmark Sensex and Nifty index both ending the month with 6.2% gains. During the month, market continued to be volatile amid corona crisis. On the back of expectation of normal to excess rainfall in FY21 with higher Kharif sowing, surplus trade balance in June 2020, improving economic indicators from the lows of March & April and Q1FY21 earnings so far boosted market sentiment remain positive. As a result of rise in covid cases, various cities in India were put under lockdown again, causing further disruptions in businesses. Investor sentiment has turned cagey on concerns that economic recovery in the India and globally is not as strong as expected. The general aversion towards riskier bets in the market saw investors shift to defensive sectors such as Information Technology, Pharmaceuticals and Fast-Moving Consumer Goods. Gold surged to its lifetime highs crossing \$1940 per ounce which indicates that the prices of gold are going to remain strong despite volatile Equity Market. The overall risk reward is unfavourable. Hence, one needs to maintain cautious view on markets.

Sectoral Performance

On the sectoral front, IT index has outperformed the other indices with pharma, auto and metal ended in the green, while selling witnessed in the Nifty Bank & PSU bank and media sector. Nifty IT was the best performing sector which rose by 22.7%, followed by Nifty Pharma with 12.8% gain and Nifty Auto at 8.4% gain for the month. Other major sectoral indices saw positive momentum during the month of July. Nifty metal index gained 7.5%, followed by Nifty energy, which rose by 5.8% and Nifty FMCG at 2.1% gain. Nifty Realty index was almost flat. Due to rising pressure in the banking sector on the wake of lower credit growth and expectation of spike in bad loans, Nifty Bank, Nifty PSU Bank and Nifty Financial Services index declined by 1.5%, 4.6% and 1.1% respectively.

RBI's MPC meeting scheduled on August 6 for policy rate decision

As per economist expectations, Reserve Bank of India in its Monetary Policy Committee are expected to leave the repo rate unchanged at 4%, due to rise in inflation during the lockdown. As per National Statistical Office, CPI inflation for the month of June was at 6.09%. Further decision on moratorium is likely to be announced. Going forward market will continue to track global as well as domestic factors such as increase or decrease of Covid-19 infection, rupee movement, crude oil prices and inflow & outflow of foreign fund among others.

On the global front

Despite the uncertainty about the Covid-19 pandemic looming at large, US indices such as Dow Jones, NASDAQ and S&P 500 gained by 2.7%, 5.8% and 5% during the month of July. Tension between US-China and increasing number of Covid cases is negative for the market. US economy suffered its worst fall since the Great Depression falling 32.9% in Q2CY20. Most of the decline in activity came in April as the country closed down non-essential businesses. The job layoffs during this period drove the unemployment rate to a record 14.7% that month. On July 29th, Federal Reserve left the benchmark interest rate unchanged near zero and reiterated a pledge to use full range of tools to support the economy battered by Coronavirus pandemic. The flash IHS Markit Eurozone Composite PMI rose further from the all-time low of 13.6 in April 2020, climbing from 48.5 in June 2020 to 54.8 in July 2020. In the July month, some rebound was observed but there's a long way to reach the output to Pre-covid levels.

Arihant AMC Portfolio Performance

Particulars	1 Month	3 month	6 month	Since Inception (04-Oct-2019)
OPPORTUNITY & GROWTH STRATEGY	5.46%	11.08%	-9.32%	-5.14
S&P BSE 200	6.81	12.38	-7.70	-1.49

US Dow Jones & NASDAQ was closed in positive territory with 2.7% & 5.8% respectively. Whereas, Japan's Nikkei and FTSE 100 closed with a fall of 1.9% & 4.2% in the month of July.

Economic Data Wrap Up: July

- India's June Nikkei Services PMI surged to 33.7 in June from 12.6 in May.
- India's June trade balance at surplus of \$0.79bn as against the deficit of \$3.15bn in May.
- India's June WPI inflation declined to 1.81% as compared to 3.21% in May.
- India's June CPI inflation came in at 6.09%.
- India's May IIP at -34.7% as compared to -57.6% in April.
- India's July Nikkei Market Manufacturing PMI declined to 46.0 from 47.2 in June.

Nifty Technical Outlook: Aug - 2020



On the monthly chart, we are observing a strong bull candle which has closed above the median line of the channel (shown above in the graph). In coming month if Nifty trades and close above 11269 levels then it is likely to test 11573 - 11877 - 12232 levels. However, if Nifty trades and close below 10877 level then it can test 10573 - 10269 - 9916 levels.

At present the monthly trend is up. Hence, near 10800 - 10573 levels there is high probability that buying may emerge which could propel Nifty to test 11500 - 11877 levels. Hence, one needs to adopt cautiously positive approach at current level as stock specific move is likely to continue.



Fundamental Stock

IDFC First Bank Ltd

BUY

Target Price: Rs. 39

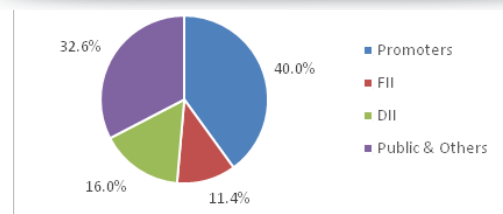
Value Parameters

BSE Code	539437
NSE Symbol	IDFCFIRSTB
CMP (As on 04 th Aug, 2020)	Rs. 27
Face Value	Rs. 10
52 Week High / Low	48/18
Market Cap (Rs bn)	15,145
BVPS (FY22E)	Rs. 34

Company Overview:

IDFC First Bank was formed from the merger of IDFC Bank & Capital First Ltdw.e.f. From Dec 2018. The erstwhile IDFC Bank, a subsidiary of IDFC Ltd which got its banking license from RBI in 2014 following which it then demerged its infrastructure assets to form the new IDFC Bank. The bank then continued its legacy portfolio of assets to grow as an infrastructure financier cum bank. On the other side, Capital First Ltd, a mostly retail consumer loan financing NBFC came up with a zero-cost financing model. Today, after a year since the merger, the IDFC FIRST Bank is competing with other larger peers in order to gain market share in the retail lending business. We see a massive change in the portfolio mix of the bank underway re-establishing

Shareholding Pattern % (Jun - 20)



Investment Rationale

Fastest Realization seen in any bank: IDFC First Bank's portfolio consisted of a mere 34.6% of assets from retail funded assets by Dec 2018 and increased it to 53.6% by end of

March 2020. While the bank envisages to see a 70% retail asset book in 5 years (since merger), we believe it is on the right track to achieve those numbers quite ahead of its set deadline and outgrow its own size before the targeted 5 year's time.

Immensely high yields from retail segment: IDFC First Bank's yields from retail assets range around ~16% against a ~10% yield from wholesale assets, thereby providing both an opportunity as well as beneficial for the management to skew the mix favouring retail segment.

Lower risk going ahead; asset quality to only improve in future: The bank's asset quality will be witnessing a gradual & stable improvisation apart from expected Covid impacted stress as it keeps a tab on incremental corporate loans, exits from infrastructure lending and a more reliable and credit conscious retailers start banking with it.


Legacy book concerns addressed & well provided off: IDFC FIRST Bank has already provided healthy percentage for the legacy wholesale assets (infra, telecom, logistics company, etc.) with PCR levels at 64.5% by March 2020. The bank has been upfront to provide by 49% for several wholesale assets under watch-list comprising a total of Rs 3,205 Cr exposure towards these watch-list accounts.

Outlook and valuation


IDFC First Bank is one of the fastest growing retail Bank with 503 branches (up 39 from 464 branches in Q4FY20) across the nation. Despite the pandemic the bank expanded its branch count by 39 during Q1FY21. The bank is focused in servicing the retail segment of consumer lending business and will witness focus on retail asset quality going ahead. The bank's NIMs and overall yields are expected to increase further in the future due to its increasing retail segment. IDFC First Bank is currently trading at a much cheaper valuation of 0.84x P/Adj. BV FY22E. Historically, the bank has traded at a mean Forward P/BV of 1.32x since its listing in 2015. We have a Buy rating on the stock with a target price of Rs 39, valuing it at P/adj. BV multiple of 1.2x on FY22E adj. BV of Rs 32.3 per share.

AUT SECTOR


JULY SALES



Maruti Suzuki
Total Sales: 108,064 units, -1.1% YoY down
 Domestic Sales: 101,307 units, 1.3% YoY up
 PV Sales: 97,768 units, 1.3% YoY up
 Exports: 6,757 units, -27.0% YoY down




TVS Motor
Total Sales: 252,744 units, -9.6% YoY down
 2Wheeler Sales: 243,488 units, -8.9% YoY down
 3Wheeler Sales: 8,956 units, -53% YoY down
 Exports: 62,389 units, -12% YoY down



Mahindra & Mahindra
Total Sales: 25,678 units, -36% YoY down
 Domestic Sales: 24,211 units, -35% YoY down
 PV Sales: 11,025 units, -34% YoY down
 CV Sales: 13,103 units, -18% YoY down
 M&HCV Sales: 70 units, -83% YoY down
 Exports: 1467 units, -45% YoY down



Atul Auto
Total Sales: 1,241 units, -62.07% YoY down



Bajaj Auto
Total Sales: 255,832 units, -33% YoY down
 Domestic Sales: 158,976 units, -23% YoY down
 CV Sales: 17,276 units, -71% YoY down
 Motorcycle Sales: 238,556 units, -26% YoY down
 Exports: 96,856 units, -45% down



Escorts
Total Sales: 5,322 units, 9.5% YoY up
 Domestic Sales: 4,953 units, 9.9% YoY up
 Exports: 369 units, 3.9% YoY up



Hero MotoCorp
Total Sales: 535,810 units, -4% YoY down



Ashok Leyland
Total Sales: 4,775 units, -56% YoY down
 M&HCV Sales: 1705 units, -75% YoY down
 LCV Sales: 3,070 units, -27% YoY down



Volvo-Eicher Commercial Vehicles
Total Sales: 2,184 units, -46% YoY down
Eicher Motorcycle
Total Sales: 40,334 units, -26% YoY down
 Exports: 2,409 units, -52% YoY down

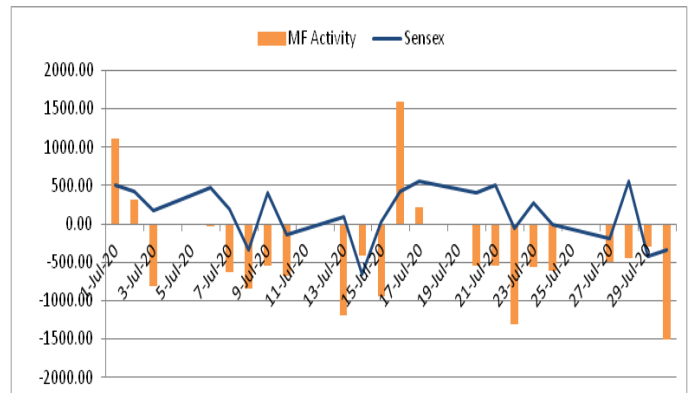


MUTUAL FUNDS

Indian equity markets rejoiced and ended on positive note in July 2020. The barometer index, S&P BSE Sensex delivered positive returns of 7.15% to settle at 37606.89 and Nifty50 gained 6.96 % ending the month at 11073.45.

MF ACTIVITY

Indian mutual funds were net seller of equities to the tune of Rs 9205.17 crores in the month of July 2020. Highest buying was recorded in the first week of the month when the fund houses made total net buy of Rs 614.32 crores of equities. On the other hand, foreign institutional investors (FIIs) were net buyers to tune Rs 3,114.52 crores worth of equities in July 2020.



Mutual Fund Activity In July 2020

Rs in Crores	Gross Purchases	Gross Sales	Net Investment
1st Week	7756.72	7142.40	614.32
2nd Week	11670.97	14397.08	-2726.11
3rd Week	13635.38	14375.27	-739.89
4th Week	11943.50	15544.85	-3601.35
5th Week	11480.18	14232.32	-2752.14
Total	56486.75	65691.92	-9205.17

Note: Mutual Fund activity as on 30th July 2020

Equity Scheme Recommendation

Scheme Name	Latest NAV*	AUM as on 31 st May, 2020 (Rs in Cr)	Launch Date	Returns (%)				Min. Investment Amount	
				One Year	Three Years	Five Years	Since Inception	SIP	Lump sum
Large Cap Fund									
Axis Bluechip Fund(G)	30.23	14522	05-Jan-10	4.64	8.63	8.67	11.03	1000	5000
ICICI Pru Bluechip Fund (G)	40.39	22875	23-May-08	-1.03	2.19	5.96	12.13	100	100
Mirae Asset Large cap Fund(G)	49.76	16381	04-Apr-08	0.64	3.61	7.99	13.90	1000	5000
Multi Cap Fund									
Axis Focused 25 Fund(G)	28.40	10399	29-Jun-12	4.03	5.39	8.96	13.77	1000	5000
Kotak Standard Multicap Fund(G)	34.05	27976	11-Sept-09	-0.27	2.22	7.19	11.91	500	5000
SBI Magnum Multicap Fund (G)	45.28	8290	29-Sept-05	-5.17	0.73	5.80	10.71	500	1000
Mid Cap Fund									
DSP MidCap Fund(G)	56.73	6962	25-Jun-07	10.92	2.45	7.89	13.48	500	5000
L&T Mid Cap Fund (G)	124.58	5699	9-Aug-04	2.65	-2.56	6.13	17.09	500	5000

Note: Returns as on 31st July, 2020, Returns < 1 yr annualized, Returns > 1 yr compounded annualized.

Debt Scheme- Liquid Funds Recommendation

Scheme Name	YTM	Latest NAV*	AUM as on 31 st May, 2020 (Rs in Cr)	Returns (%)				
				One Month	Three Months	Six Months	One Year	Since Inception
Liquid Fund								
Axis Liquid(G)	3.38	2226.07	27032	0.26	1.00	2.46	5.31	7.68
ICICI Pru Liquid Fund(G)	-	296.88	57335	0.27	1.06	2.48	5.31	7.68
Ultra Short Term Fund								
Kotak Saving Fund(G)	4.27	32.94	9189	0.48	2.11	3.59	7.10	7.75
L&T Ultra Short term Fund(G)	3.80	33.47	1960	0.35	1.82	3.54	6.84	7.45

Note: NAV and Returns as on 31st July, 2020, Returns < 1 yr annualized, Returns > 1 yr compounded annualised.

ELSS Scheme Recommendation

Scheme Name	Latest NAV*	AUM as on 31 st May, 2020 (Rs in Cr)	Launch Date	Returns (%)			
				One Year	Three Years	Five Years	Since Inception
Mirae Asset Tax Saver(G)	17.80	3538	28-Dec-15	3.84	5.07	-	13.37
Axis LT Equity Fund(G)	44.79	20292	29-Dec-09	2.05	5.06	7.32	15.20
Kotak Tax Saver(G)	43.05	1133	31-May-96	1.07	1.90	5.80	10.44

Note: NAV and Returns as on 31st July, 2020, Returns <1 yr annualised, >1 yr compounded

THE MONTH AHEAD KEY FINANCIAL EVENTS AUGUST 2020



AUG 01-02

- Indian Automobile Sales Data, by Automakers

AUG 03

- USD ISM Manufacturing PMI
- Indian Nikkei Market Manufacturing PMI

AUG 04-06

- RBI Monetary policy committee (MPC) meetings

AUG 05

- USD ISM Non-Manufacturing PMI
- Indian Nikkei Services PMI

AUG 06

- GBP BOE Monetary Policy Report
- GBP MPC Official Bank Rate Votes
- GBP Monetary Policy Summary
- GBP Official Bank Rate

AUG 07

- USD Average Hourly Earnings m/m
- USD Non-Farm Employment Change
- USD Unemployment Rate

AUG 08

- Indian Automobile Sales Data, by SIAM

AUG 10

- GBP Prelim GDP q/q

AUG 11

- GBP Monetary Policy Report Hearings
- Indian Industrial Production (YoY)
- Manufacturing Output (MoM)

AUG 12

- USD CPI m/m
- USD Core CPI m/m
- Indian M3 Money Supply

AUG 14

- USD Core Retail Sales m/m
- USD Retail Sales m/m
- India WPI Inflation (YoY)

AUG 25

- EUR French Flash Services PMI
- EUR German Flash Manufacturing PMI
- EUR German Flash Services PMI

AUG 31

- CYN Manufacturing PMI

AUG 31

- CYN Manufacturing PMI

AUG 31

- CYN Manufacturing PMI



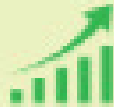
THINK
BIG
START SMALL

ARIHANT'S SIP INVESTMENT

WHY SIP INVESTMENT



DISCIPLINED INVESTMENT



POWER OF COMPOUNDING



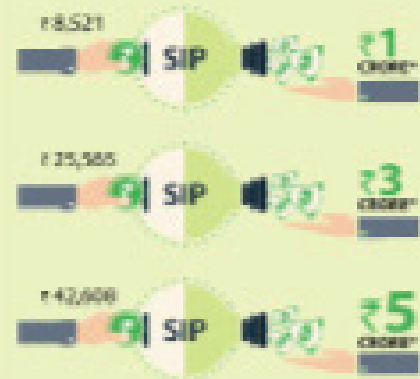
RUPEE COST AVERAGING



SMALL POCKET INVESTMENT

*Note: The above figures are calculated for the use of ₹1000 for illustration purposes only. Actual fund investments are subject to market risks. Returns could vary from the depicted illustration depending on factors such as, market risk, credit risk, counterparty risk, issuer performance, etc. in any market.

20 YEARS PERIOD



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