



# BESPOKE

Advice for a select few

ANANDRATHI  
PRIVATE CLIENT GROUP  
EQUITY

PCCG



# RCG Advantage

**Premium  
Services  
handcrafted  
for HNI Clients**

**Award Winning  
Advisory backed  
by quality  
Research**

**High-tech  
and hassle-free  
Investment  
Platforms**



## Demat & Trading

- Equities
- Commodities
- Currency
- Depository Services



## Equity Services

- Research Report
- Portfolio Restructuring
- Basket Advisory Products
- Loan against Securities
- Margin Trading Facility
- Stock Lending and Borrowing Mechanism



## PMS

- Anand Rathi MNC Portfolio
- Anand Rathi Impress
- Anand Rathi Portfolio Plus
- ASK



## Structured Products

- Debt Structured Products
- Equity Structured Products



## Mutual Funds

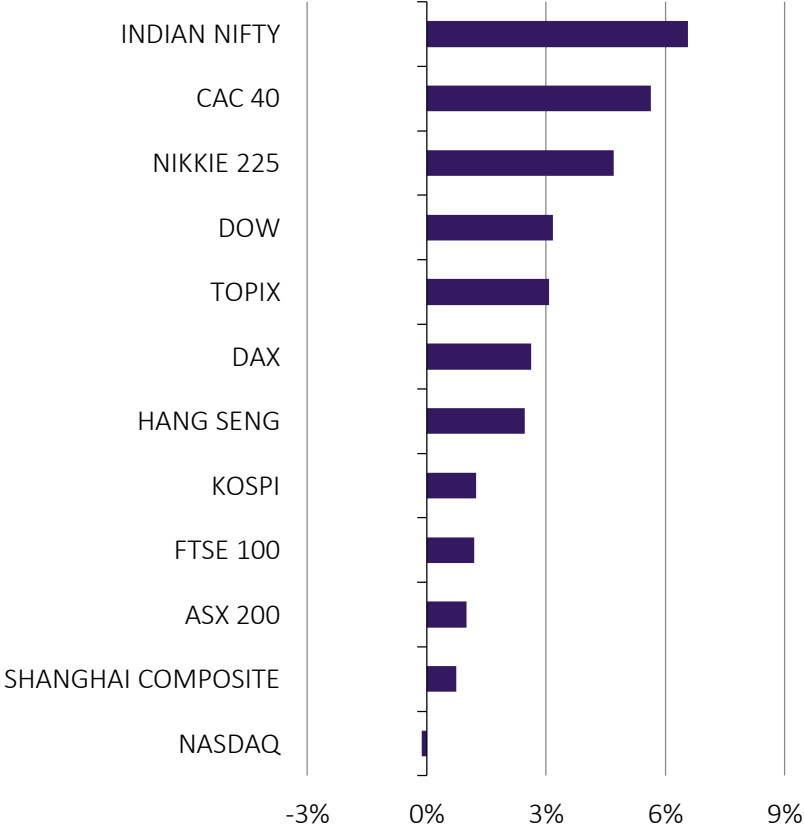
- Equity Mutual Funds
- ELSS
- Debt Mutual Funds
- Mutual Fund Advisory



## Insurance

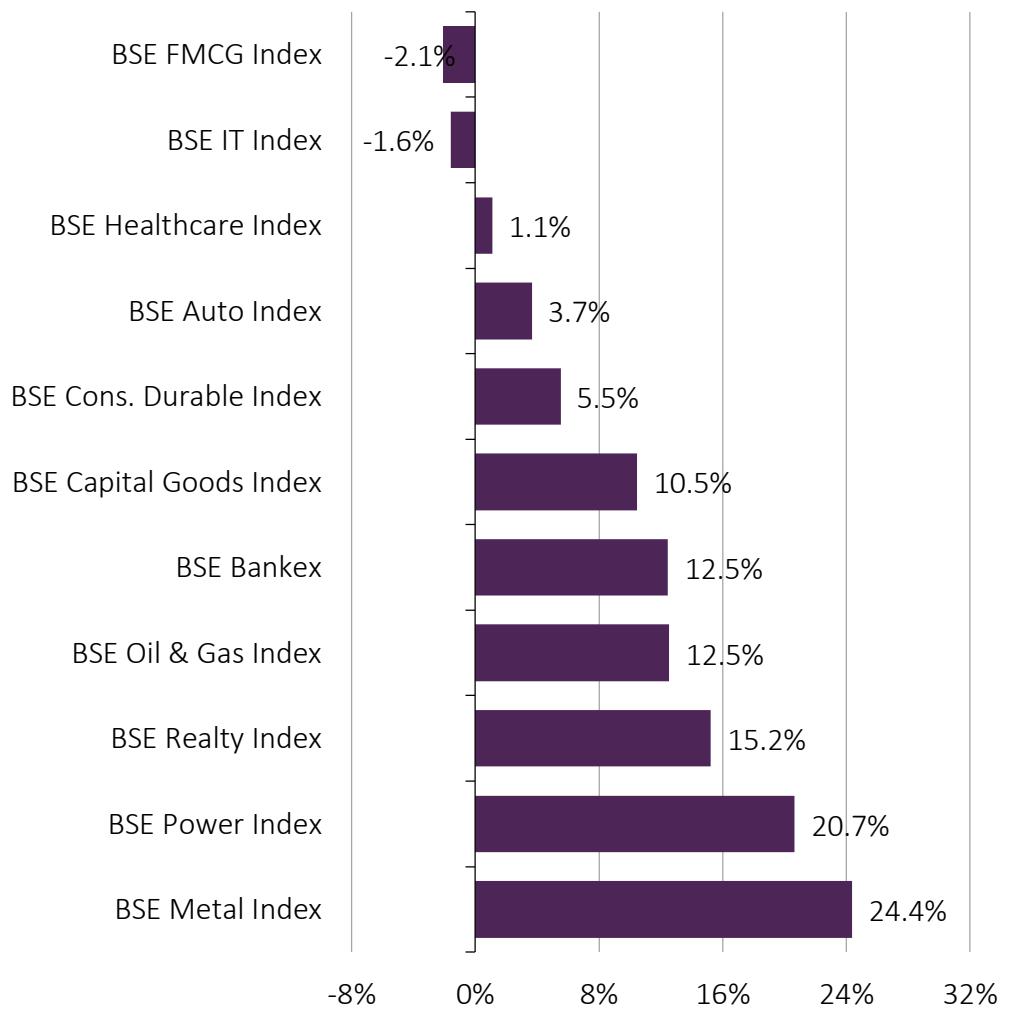
- Life Insurance
- Health Insurance
- Insurance Audit

### Global Markets performance in Feb-21

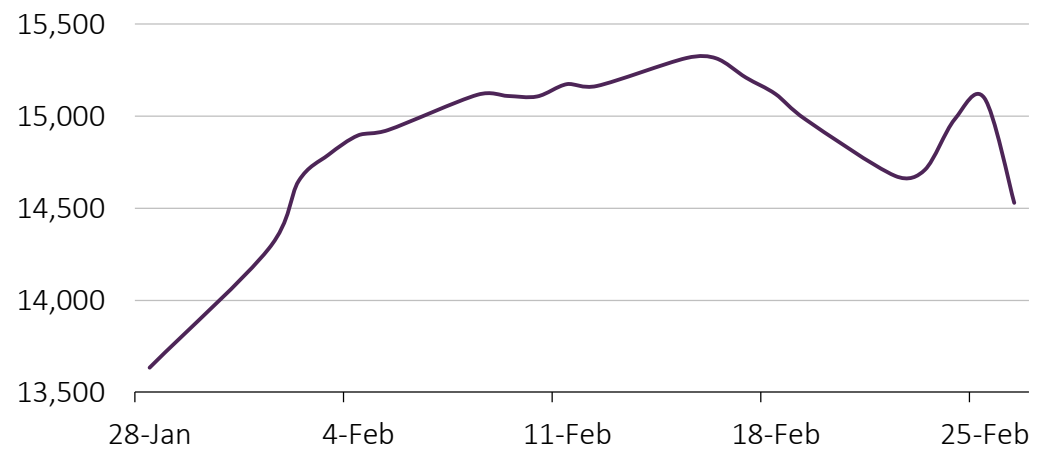


# Equity Investing: *Monthly musings*

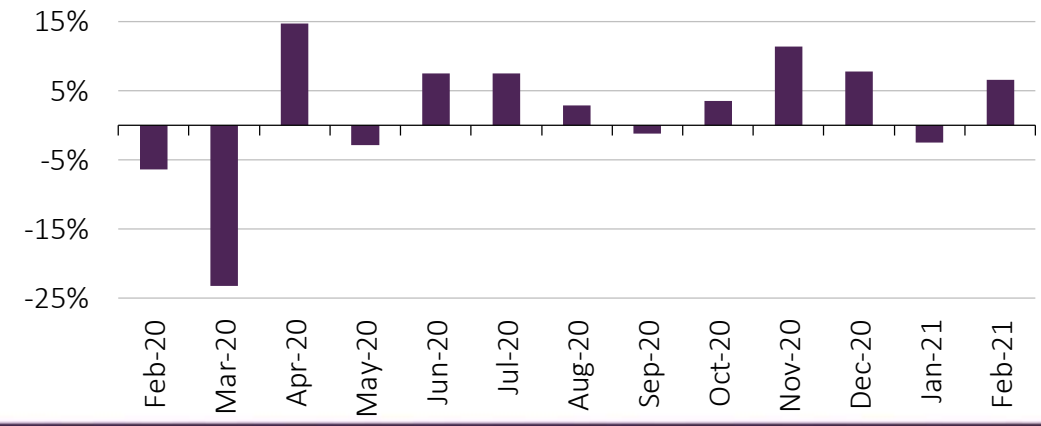
## Sector wise performance during the month



## NIFTY Performance in Feb 2021

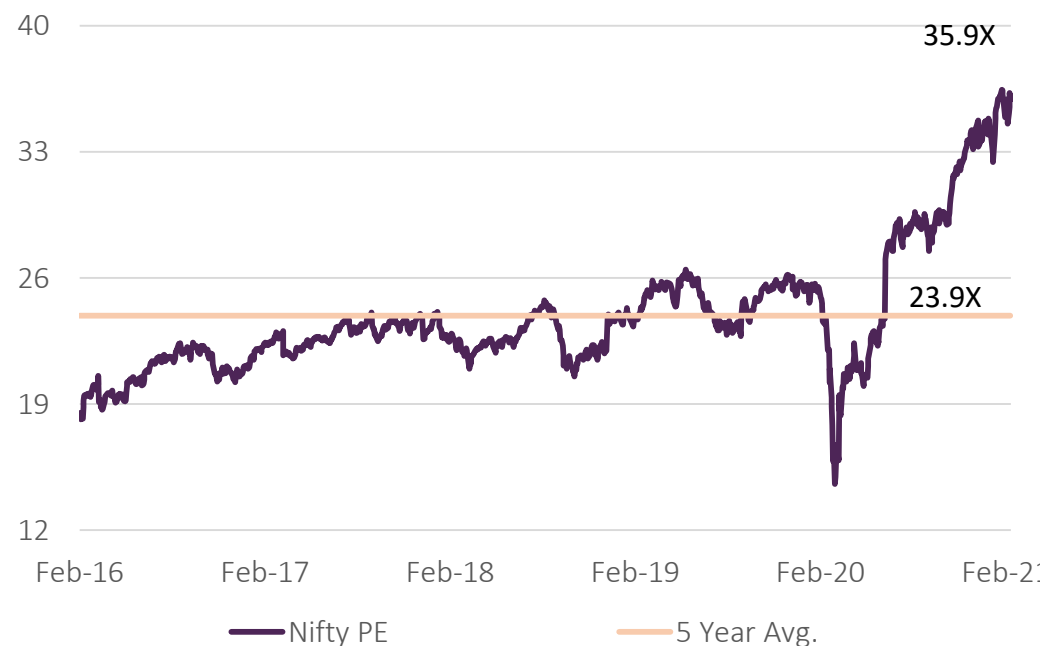


## NIFTY monthly performance for trailing 12 months

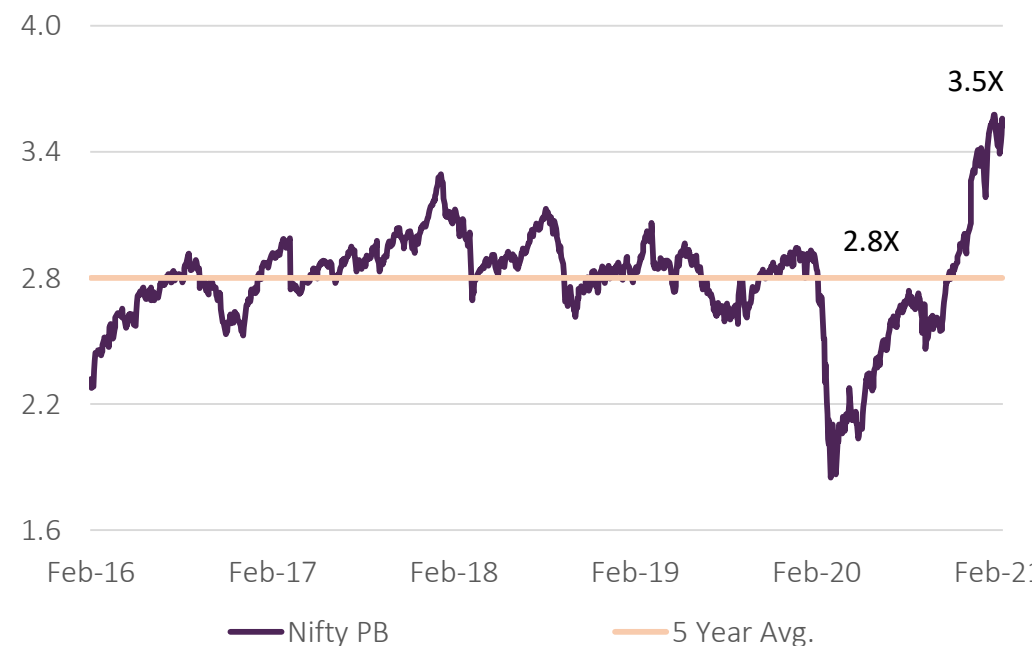


# Equity Investing: *Index valuations*

## Nifty Trailing 12M P/E & 5 Yr. Avg. P/E



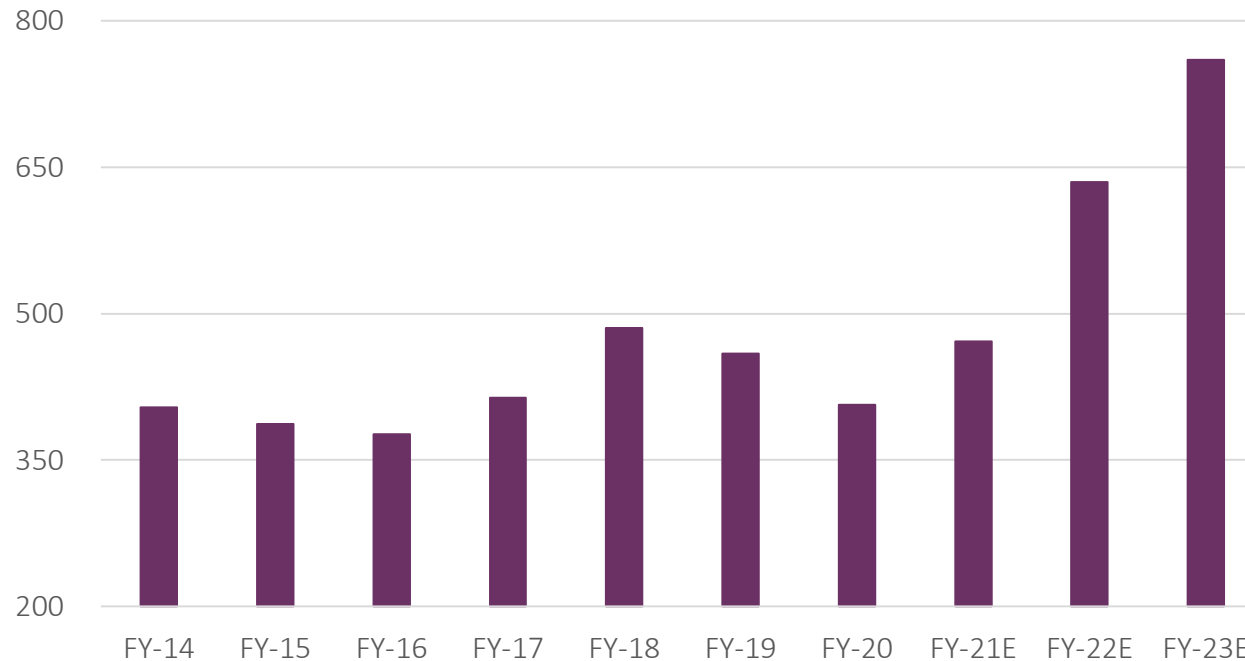
## Nifty Trailing 12M P/B & 5 Yr. Avg. P/B



- Currently Nifty50 is trading at around 35.9x its trailing 12 month price to earnings ratio while its five year historical average price to earnings ratio stands at around 23.9x. A premium of around 50% from its five year historical average.
- In terms of price to book ratio, the Nifty50 is trading at around 3.5x its price to book while its five year historical price to book ratio stands at around 2.8x. A premium of around 26% from its five year historical average.

## Equity Investing: *Index valuations contd.*

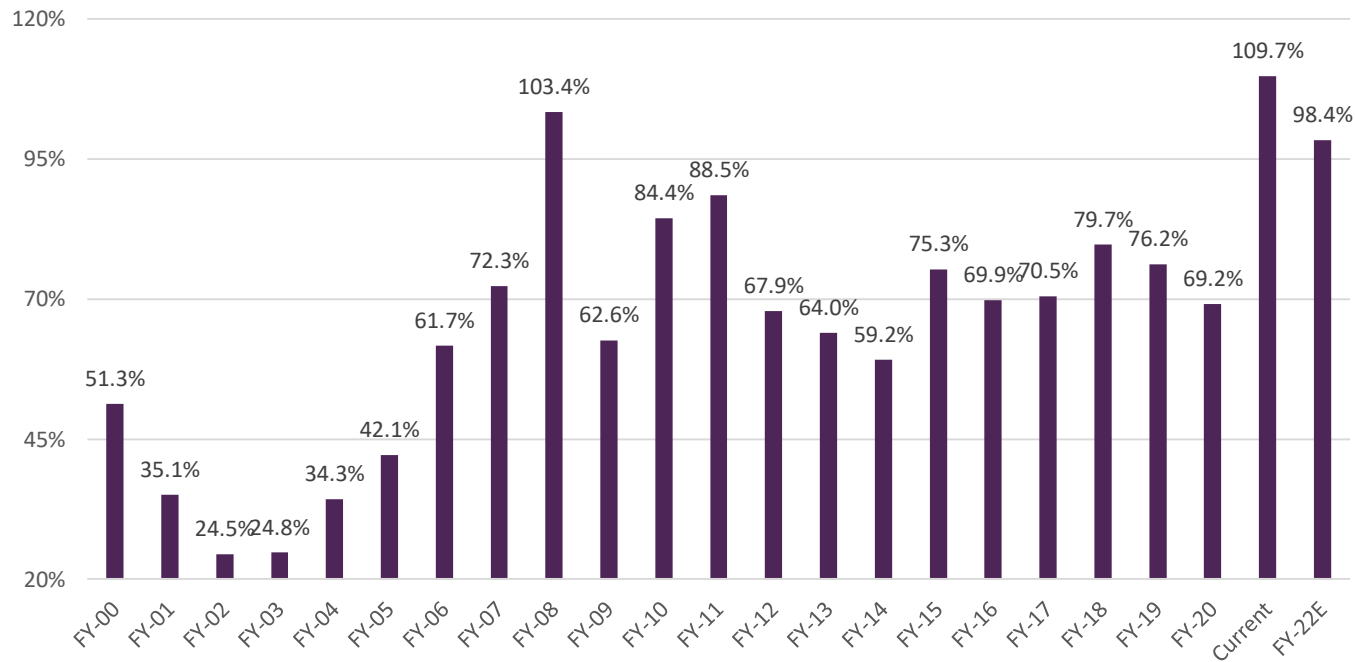
### Nifty Historical and Estimated EPS (Consensus)



- Nifty50 earnings are estimated (consensus) to grow at a CAGR of about 27% in next three years from FY20 onwards till FY23.

# Equity Investing: *Broader Market valuations*

## India Market Cap. to GDP Ratio

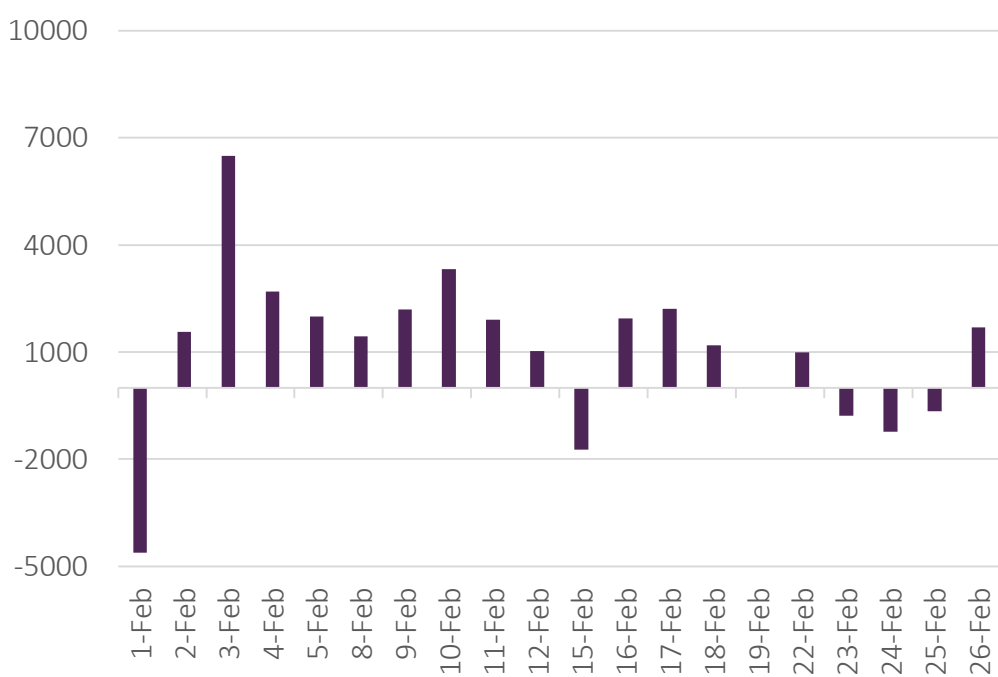


- Currently Nifty's market capitalisation to GDP (FY20) ratio stands at about 109.7% at month end while it was about 105.5% at the start of the Feb-21 month.
- The ratio is considered an indicative of overall equity market sentiments and cycles.

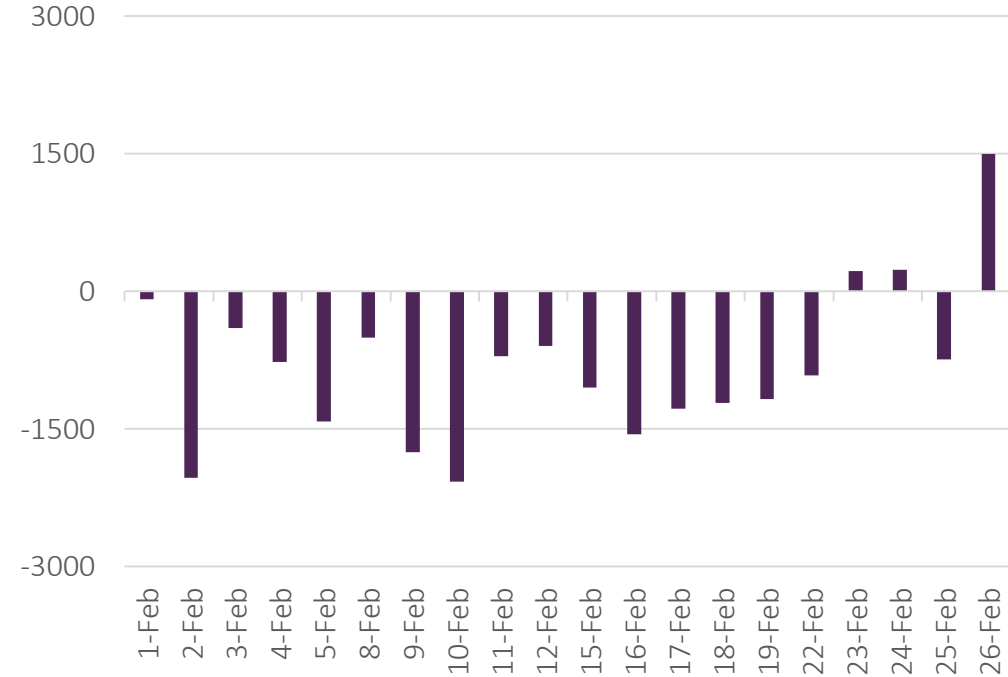


# Equity Investing: Big Money Flow

## FII Monthly Inflows in Equity (₹ Crore)



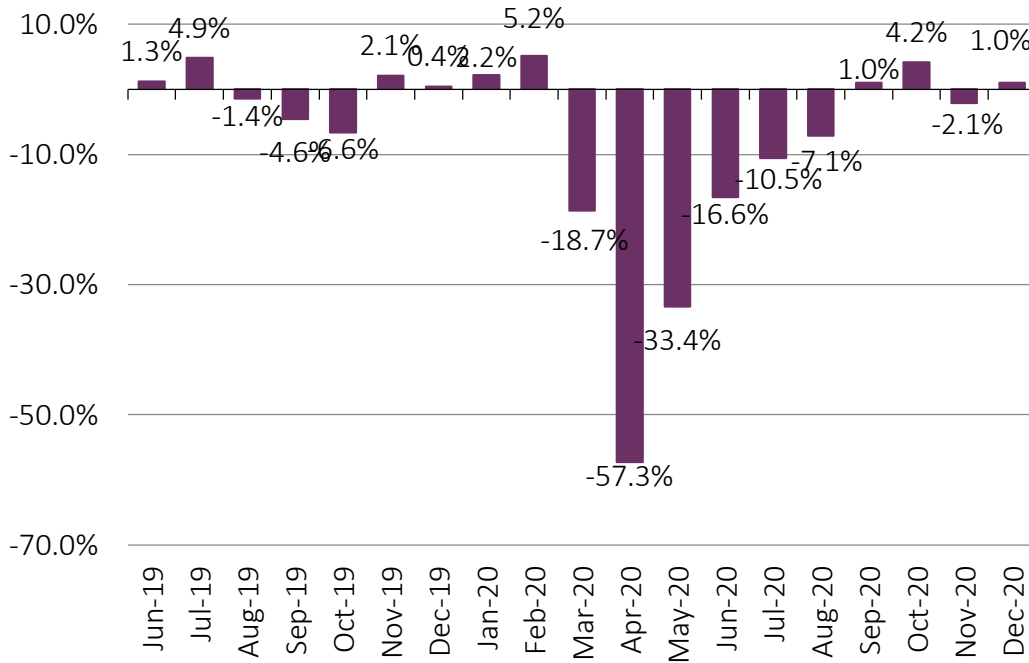
## DII Monthly Inflows in Equity (₹ Crore)



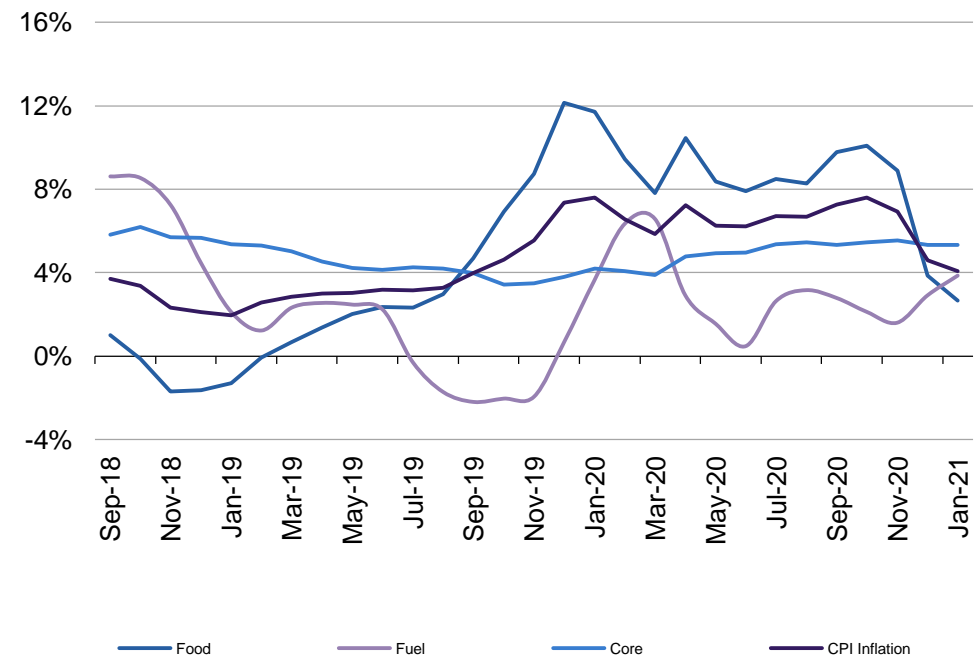
- FII monthly inflows for the month of Feb-21 has seen net inflows of almost ₹28,321 crores, as evident by positive global market factors for past few months on account of visibility in effective COVID vaccine.
- On the other hand, domestic funds have seen withdrawing funds in the markets with net outflows standing at around ₹17,342 crores.

# Equity Investing: Growth & Inflation

## IIP Growth (%) trend (2011-12 base)



## Food, Fuel, Core & CPI Inflation (%) YoY

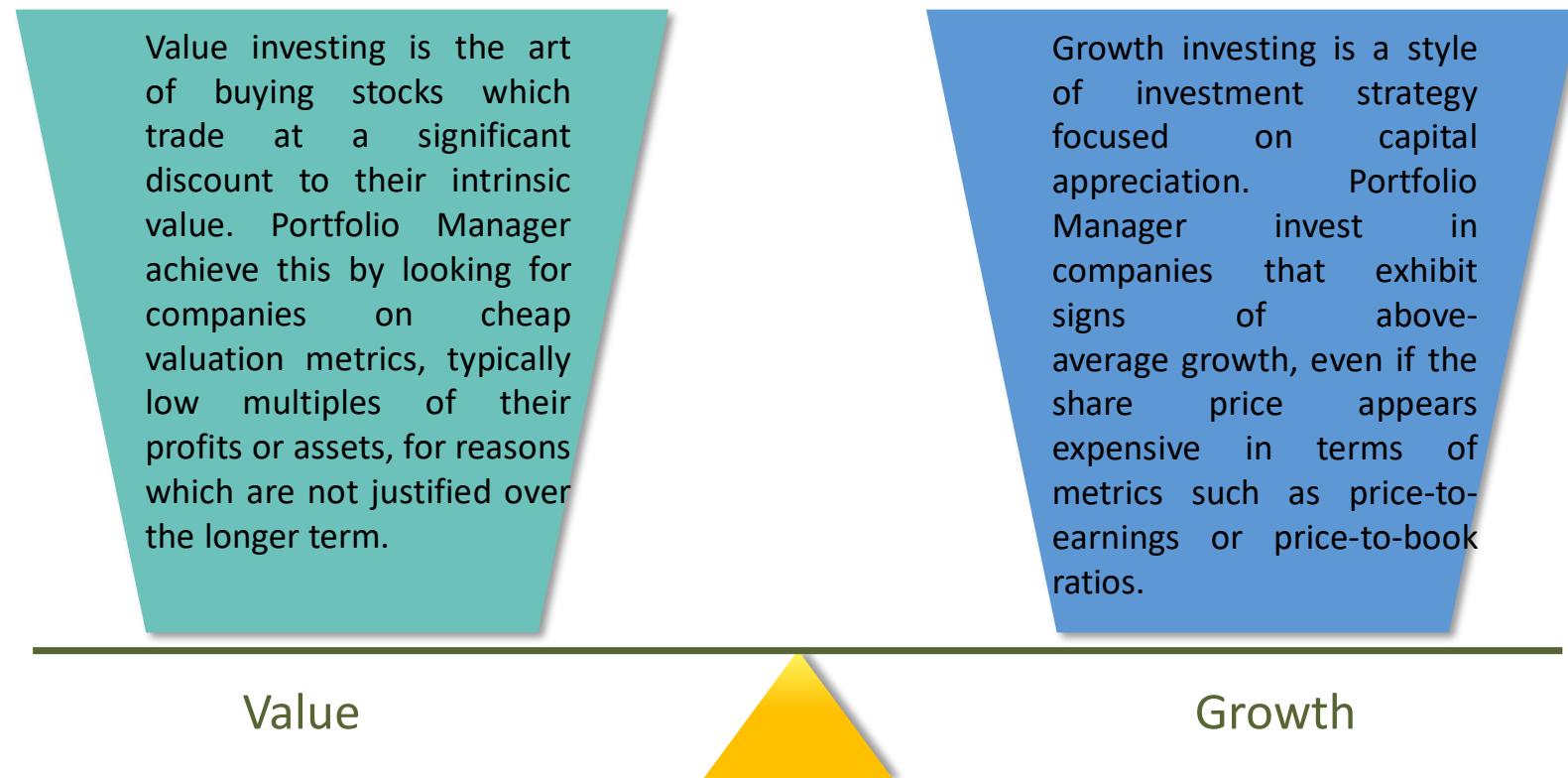


- Index of Industrial Production (IIP) data for the latest month Dec-20 showed an improvement and has recorded positive print. The index stood at 1% for the month.
- Latest inflation data released showed moderation in overall inflation with core inflation at 5.3% with CPI at reduced 4.1%. The Food inflation for the Jan-21 month stood at 2.7% while fuel inflation increased at 3.9% for Jan-21 month.

# Model Basket / Portfolio

## Objective:

- Focus on Return Optimization by investing in multi cap portfolio of rising enterprises with sound corporate track record and sustainable business model keeping balance between value and growth strategy.



# Why Multi-cap Strategy

	Bull Period			
	Apr-03	Dec-07	CAGR	Volatility
<b>Sensex</b>	2960	20287	51.0%	22.0%
<b>BSE Mid Cap</b>	952	9789	64.6%	25.0%
<b>BSE Small Cap</b>	893	13348	78.4%	31.6%

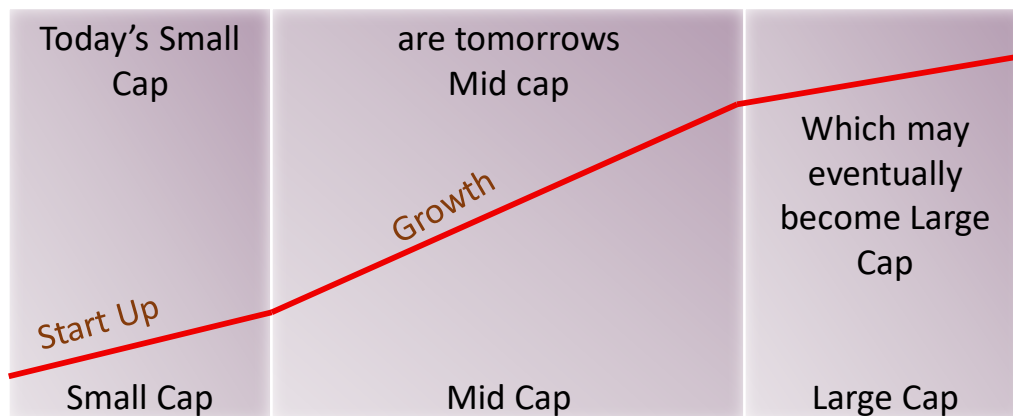
  

	Bear Period			
	Dec-07	Dec-11	CAGR	Volatility
<b>Sensex</b>	20287	15455	-6.6%	31.2%
<b>BSE Mid Cap</b>	9789	5135	-14.9%	40.5%
<b>BSE Small Cap</b>	13348	5550	-19.7%	45.4%

	Current Bull period			
	Dec-11	Dec-19	CAGR	Volatility
<b>Sensex</b>	15455	41254	13.0%	9.0%
<b>BSE Mid Cap</b>	5135	14968	14.3%	12.0%
<b>BSE Small Cap</b>	5550	13699	11.9%	13.5%

- ❖ The table shows outperformance of the Mid Cap and Small Cap Index over the Sensex Index during the Bull Period.
- ❖ Outperformance of the Mid Cap and small caps happens because of better earnings growth in the bull phase.
- ❖ The P/E for Mid cap and Small Caps also expands as earnings growth is superior v/s Sensex earnings growth.
- ❖ Identifying the business within attractive valuation compare to their growth is key factor for outperformance.
- ❖ Returns delivered from Mid Cap and Small Cap do outperform the Large Cap, however one should keep in mind the risk associated with it as we see the higher volatility in it. Therefore we emphasis on stringent stock selection strategy and create a diversified Multi-cap portfolio to create alpha over the benchmark.



# Investment Process

## Allocation



**Business Model** either in

- 1) Improving Market Share
- 2) Leadership
- 3) Niche Business Model



**Rising Enterprises**

- 1) Stable and Improving Margins
- 2) Improving ROE and ROCE



**Sustainability**

- 1) Visibility of Earnings over next 2-3 years
- 2) Predictable business model



**Sound Corporate Track Record**

- 1) Management back ground
- 2) Accounting & Corporate policies

## Stock Selection



**Sector opportunity**

- 1) Sector potential to grow
- 2) Cyclical / Non Cyclical
- 3) Favoring Policies



**Diversification**

- 1) Sectorally well diversified portfolio of 15-20 stocks across Market Capitalization



**Exposure**

- 1) Single Stock exposure < 10%
- 2) Single Sector exposure < 30%



# Top Holdings & Allocation

S.No.	Large Cap	% Weight
-------	-----------	----------

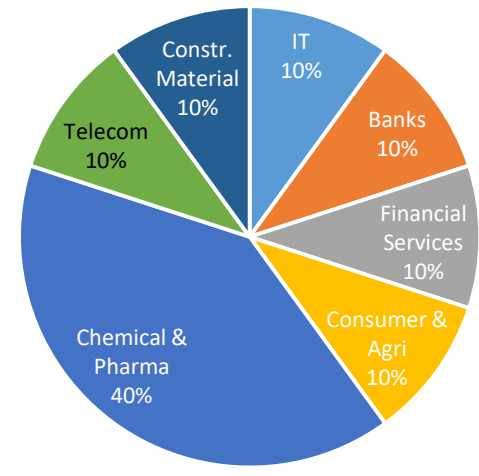
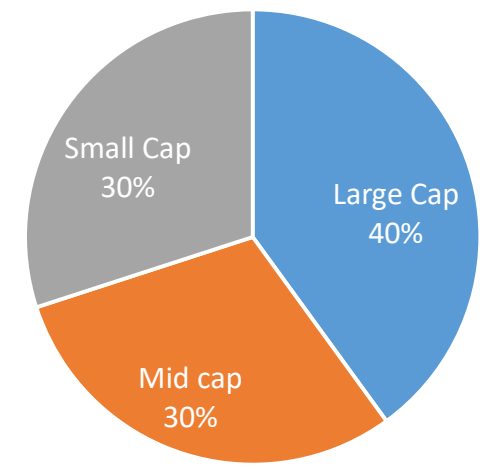
1	UPL Limited	10%
2	ICICI Bank Limited	10%
3	HCL Technologies Limited	10%
4	Bharti Airtel Limited	10%

S.No.	Mid Cap	% Weight
-------	---------	----------

1	Aarti Industries Limited	10%
2	Nippon Life Asset Management Limited	10%
3	Alkem Laboratories Limited	10%

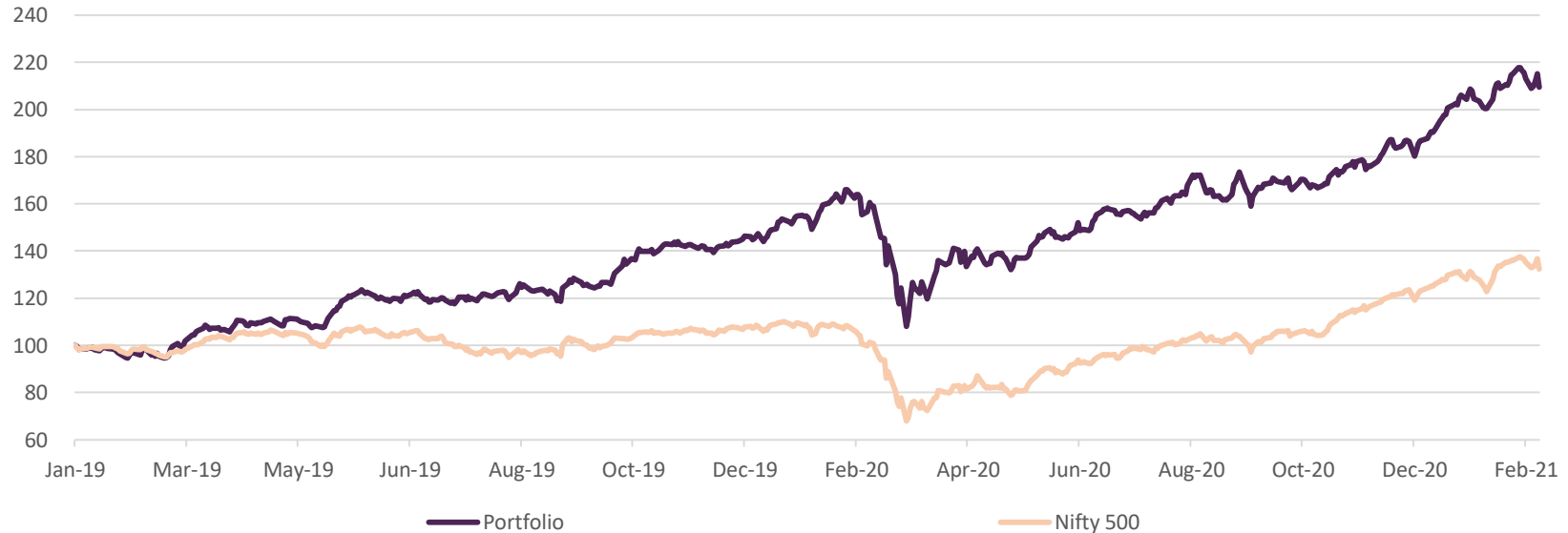
S.No.	Mid Cap	% Weight
-------	---------	----------

1	Vinati Organics Limited	10%
2	Heidelberg Cement India Ltd.	10%
3	NOCIL Limited	10%



NOTE: Basket /Portfolio is Equal weight with monthly rebalance strategy. As of 26<sup>th</sup> Feb 2021.

# Basket / Portfolio Performance



Period	Portfolio % Return	Nifty500 % Return
One month	4.6%	7.8%
Three months	19.2%	13.6%
Six months	27.2%	30.0%
One Year	34.9%	31.9%

NOTE: Performance as of 26<sup>th</sup> Feb 2021.



**Disclaimer:**

In the preparation of the material contained in this document, Anand Rathi Group (ARG), has used information that is publicly available, including information developed in-house. Some of the material used in the document may have been obtained from members/persons other than the ARG and/or its affiliates and which may have been made available to ARG and/or its affiliates. Information gathered & material used in this document is believed to be from reliable sources. ARG however does not warrant the accuracy, reasonableness and/or completeness of any information. For data reference to any third party in this material no such party will assume any liability for the same. ARG and/or any affiliate of ARG does not in any way through this material solicit any offer for purchase, sale or any financial transaction/commodities/products of any financial instrument dealt in this material. All recipients of this material should before dealing and or transacting in any of the products referred to in this material make their own investigation, seek appropriate professional advice.

ARG (including its affiliates) and any of its officers directors, personnel and employees, shall not liable for any loss, damage of any nature, including but not limited to direct, indirect, punitive, special, exemplary, consequential, as also any loss of profit in any way arising from the use of this material in any manner. The recipient alone shall be fully responsible/ are liable for any decision taken on the basis of this material. All recipients of this material should before dealing and/or transacting in any of the products referred to in this material make their own investigation, seek appropriate professional advice. The investments discussed in this material may not be suitable for all investors as certain services and investment products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis. Any person subscribing to or investigating in any product/financial instruments should do so on the basis of and after verifying the terms attached to such product/financial instrument. Financial products and instruments are subject to market risks and yields may fluctuate depending on various factors affecting capital/debt/commodity/real estate markets. Please note that past performance of the financial products and instruments does not necessarily indicate the future prospects and performance thereof. Such past performance may or may not be sustained in future.