MOSt Advisor

Monthly Markets Newsletter

February 2021

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Global Market

Index	31-Jan-21	MoM (%)	YoY(%)
Sensex	46,286	-3.1	13.7
Nifty	13,635	-2.5	14.0
FTSE	6,407	-0.8	-12.1
Dow	29,983	-2.0	6.1
Nasdaq	13,071	1.4	42.8
Hang Sang	28,283	3.9	7.5

Economic Pulse

Key Indicators	Current Mth	Pre. Mth
IIP	-1.9%	3.6%
CPI	4.59%	6.93%
10 Year Yield	5.90%	5.86%
USD/ INR	72.12	73.07
Crude ($)	55.88	51.8
Gold (10 gms)	49205	50005

Thought for the month

"The stock market is the story of cycles and of the human behaviour that is responsible for overreactions in both directions"

Seth Klarman

Key Highlights

- → Pro-growth and capex focused Budget
- → Market despite increased volatility touched new high
- → Capex driven sectors in Focus

Equity markets started the first month of 2021 on a cautious note ahead of the key event - Union Budget 2021. The month was characterized by extreme volatility, with the benchmark oscillating in a wide range (~1,150 points) and pulling back significantly from record highs. Nifty lost -2.5% MoM in Jan'21 to close at 13,635. The broader market outperformed with Nifty Midcap 100 / Smallcap 100 indices up 0.3% / 1.3% respectively.

However a pro-growth and capex driven Budget led to sharp improvement in market sentiments with a historical rally - Nifty gaining 9% in just 4 days (between 1-4 Feb'21). Nifty crossed 15k while Sensex crossed 51k.

FIIs remained net buyers in January of Rs14,500 crore. DII net sold Rs11,970 crore sharply down from Rs37,300 crore in Dec'20 and Rs48,340 crore in Nov'20.

From an equity market perspective, the Budget has turned out well, with no negatives on the taxation front and several long-term structural initiatives that augur well for medium-term growth. The push for capex and investments could trigger the revival of an investment cycle, which may then spread to multiple sectors - Cement, Auto, BFSI, Metals, and Capital Goods.

The 3QFY21 earnings season has maintained the momentum of the 2QFY21 results season - continued big beats and upgrades, and upbeat corporate commentaries.

Overall at a time of unprecedented economic crisis, we believe that the Budget has been progressive on all fronts and the government is doing its part to spend enough to revive the economy. Hence, there would be enough impetus to the capex driven sectors like Corporate Banks, Cement, Capital goods, Infrastructure & Construction, Real estate going forward for next few years.

We expect the long term structure of the market to remain positive as the earnings momentum is likely to sustain with further revival in the economy, the number of COVID-19 cases being contained, and the benefit of a low base ahead.

Siddhartha Khemka
Sr. Vice President- Head - Retail Research

Investment Ideas

SAIL

CMP: INR 68 **BUY**
Target: INR 81

- SAIL's result highlights strong gains from higher steel prices in the business model
- 3QFY21 EBITDA was up 147% YoY to INR50.8b, the highest ever. Net debt also fell sharply by 12% QoQ to INR443b.
- Despite factoring in conservative realization (~15% discount to spot) and higher coking coal prices in FY22E, we estimate SAIL's EBITDA at 44% CAGR to INR118b over FY20-22E.
- With significant debt reduction and higher earnings, net debt/EBITDA should decline to ~3.0x by Mar'22.

L&T

CMP: INR 1,553 **BUY**
Target: INR 1,625

- L&T's consolidated adj. PAT grew 5% YoY to INR22.6b, 42% above our expectation.
- Order inflows remained robust with 76% YoY growth during 3QFY21, thanks to large orders like the High Speed Rail.
- The outlook looks quite encouraging, with likely FY21E exit at a record high order book, robust Balance Sheet, improving government financials, and impetus on Infrastructure development as a tool to lift long-term economic growth in India.

Dalmia Bharat

CMP: INR 1,335 **BUY**
Target: INR 1,495

- Dalmia Bharat's 3QFY21 result highlights continued market share gains as volumes grew 14% YoY despite weak demand in the South India, supporting 51% growth in EBITDA.
- With ~30% capacity growth expected over the next 12 months, DBL is well placed to gain market share in East and West India.
- Capacity is expected to rise by 26% to 36mtpa by Sep'21 and is set to double to 56mtpa in the next three years.
- We estimate 15% CAGR in volumes in FY21-23E, which should drive 22% EPS CAGR. Led by strong FCF, we expect net debt to decline further.

Sun Pharma

CMP: INR 634 **BUY**
Target: INR 740

- Sun Pharma delivered higher-than-expected profitability on: a) better traction in Specialty portfolio/US Generics, and b) extended benefit of lower opex.
- We remain positive due to: a) superior execution in the Specialty portfolio, b) strong ANDA pipeline, and c) outperformance in the Branded Generics segment.
- We believe SUNP's RoE is at a trough and would improve with 22% earnings CAGR, led by 9%/7%/10% sales CAGR in DF/US/RoW and 340bp margin expansion over FY20-23E.

CMP as on 8th Feb 2021

Technical & Derivatives Outlook

Nifty Monthly

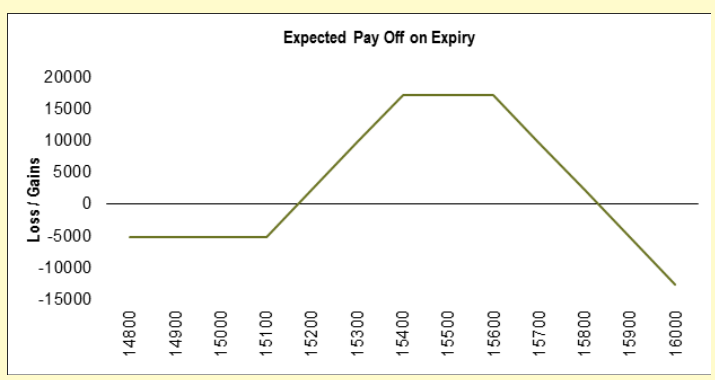
- √ Bulls are reluctant to give up and as a result, Nifty is sustaining well above 15000 mark. The uptrend is so strong that most of the intraday dips were getting bought quickly. Barring a corrective move in last week of January, we haven't notice existence of Bears in this market. However, Bulls were not willing to surrender and thus, we witnessed a V-shape recovery after announcement of Union Budget. Index marched above 15000 for the first time in history and sustaining well above the same.
- √ Sentiments has been changed completely after the Budget announcement as buying interest is visible across the street. Market Breadth is also in favour of advancing counters, which certainly bodes well for the bulls.
- √ Nifty is trading all time high and it seems there's no limit on the upside for the bulls. Technically, Nifty is making Higher Tops - Higher Bottoms and formed bullish candles from last three consecutive months. Momentum oscillator RSI is moving in overbought territory on weekly scale; but there is no sign of reversal seen in price. In such a bullish scenario, one shouldn't pre-empt 'tops' and rather stay with the ongoing trend until it reverses. This is a 'Buy on Dips' market and traders should look for buying opportunity on any small dips till the time we don't see any strong signs of reversal on Charts or Derivatives data. As far as levels are concern, index is moving in uncharted territory and ongoing momentum may continue towards 15500 - 15700 zone. On the flipside, immediate support exists at 14800 - 14600 zones.

Derivative Strategy

NIFTY - Bull Call Ladder Spread - Feb Series

BUY 1 LOT OF 15100 CALL @ 270; SELL 1 LOT OF 15400 CALL@ 130
SELL 1 LOT OF 15600 CALL @ 70

Net Premium Paid: 70 points
Risk Scenario 1 : 70 points if it remains lower
Max Reward : 230 points
Unlimited Risk above 15830



Rationale:

- √ Nifty index is in overall uptrend but seen sharp movement of 1000 points in last few sessions post Budget
- √ Overall buy on decline strategy likely to continue and lower VIX levels likely to provide support at lower levels.
- √ Maximum Call OI is at 15500 strike which is likely to act as hurdle
- √ Thus suggesting Bull Call Ladder Spread to play positive to range bound move

Commodities & Currency Outlook

The Opportunistic Fall!!!

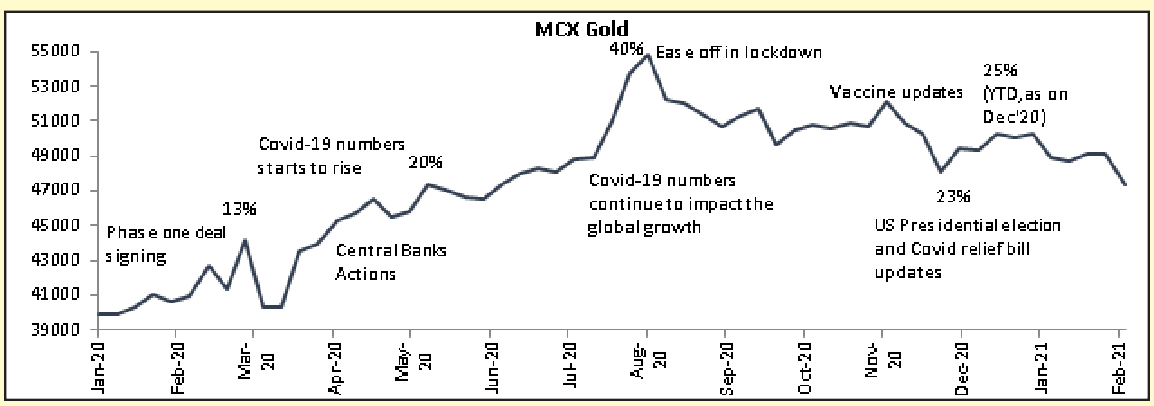
Gold prices rallied for much for 2020, marking an all-time high of ~$2080 in August. The year was rocked by the pandemic that led to economic restrictions and fiscal stimulus measures, boosting the precious metals appeal, as a safe haven investment. Soaring debt in major economies and monetary & fiscal lending leading to increase in money supply, along with the heightened fear due to the pandemic are few of the top factors for gold's rise. Many of the reasons are expected to lift the prices this year as well, along with uncertainty of how the economy is going to recover and how fast and large the recovery will be coupled with increasingly historical levels of fiscal aid, will create a strong floor for the metal prices.

The expectation for more government aid under the Biden administration -- which has proposed a massive $1.9 tln rescue package in addition to the $900 bln already enacted by Mr. Trump last month, has increased optimism in market. To support Covid impacted economy, major economies have announced trillions of dollars as liquidity measures, which supported bullions. Along with President Biden, Janet Yellen Treasury Secy is also in favor of additional liquidity measures, this scenario is not very good for economy as it will increase debt and impact inflation, but will create a beneficial environment for bullions.

The first Fed meeting of the year took place against a backdrop of potential congressional gridlock as Democrats and Republicans bicker over the new fiscal stimulus package, impeachment trial of former President Donald Trump, and even how an evenly divided Senate will conduct its business. The Fed held its main interest rate close to zero and its asset purchases steady as Governor Powell warned that the battle against the economic fallout from the pandemic was far from over, which hence supported the bullions on the lower levels. Fed continued to maintain accommodative stance until inflation runs moderately above 2% for some time. Apart from lending facilities which have been extended till Mar, Fed will also continue to buy $120 bln of debt a month until "substantial further progress" had been made in recovery.

Looking at reasons mentioned above gold and silver do have stronger fundamentals which would continue to support prices in future. Government of India in their 'Union Budget 2021' announced a reduction in Gold and Silver import duties from 12.5% to 7.5%, but effective rate is approx. 10.75%(calculation is mentioned in the table). Domestic import duties were quite steep and there was a growing need for duty cuts from various participants.

Outlook: Metal prices did get support from market participants although updates related to vaccine and volatility in dollar and yields capped some gains for the precious metal pack. It will be important to see now that how well in sync does the Biden Administration and the Fed work. And will they use any other tools as well to support the economy and control yield and dollar volatility, are important to keep in mind for the future. Market participants are very optimistic w.r.t. their new leader. Policies and promises by President Biden are very progressive, also talk about additional fiscal stimulus by him and his team is supporting overall market sentiment. This excess liquidity definitely creates hint of concern for spillover effect in future, but necessary to support and escape from current situation. Duty cuts in Budget'21 will negatively impact prices although above mentioned fundamentals and uncertainties would continue to create a strong floor. Gold prices have consolidated over the last few months and recently corrected towards $1800 on the COMEX where we are comfortable buying for a short to medium perspective targeting new life time highs towards $2150. On the domestic front, the post budget prices correction is a good level to enter once again for an upside towards new highs of Rs.56,500 and above over the next 6 months.



Budget impact on Gold & Silver

Particulars	Previous	New
Import Duty	12.50%	7.50%
Agriculture Infrastructure Development Cess (AIDc)	-	2.50%
Social Welfare Scheme (SWS)	-	0.75%
Total	**12.50%**	**10.75%**

Intelligent Advisory Portfolios (IAP)

Performance : Product VS Benchmark for the Month of January 2021

Product / Benchmark	1 Month	3 Months	YTD	LTD
Fundtech | BSE 500	2.3% | -1.8%	16.8% | 18.1%	82.4%| 67.50%	72.3%|16.5%
Large Cap | Nifty 50	-1.59|-2.74%	14.24%|16.84%	50.00%|65.19%	31.56%|24.18%
Small Cap | Nifty Small cap 100	-3.56%|0.10%	8.98%|25.28%	64.98%|102.7%	19.64%|31.55%
NS Industry Champ | Nifty Large Mid Cap 250	-1.10%|-1.11%	18.10%|19.17%	61.65%|71.02%	61.65%|71.02%
NS Midcap & Small Cap | Nifty Mid Small Cap 400	2.72%|0.50%	21.95%|21.99%	94.78%|83.14%	94.78%|83.14%
NS MultiCap | NSE 500	1.07%|-1.87%	21.09%|17.96%	21.09%|17.96%	21.09%|17.96%
NS Emerging India | NSE 500	-1.01%|-1.87%	17.96%|18.04%	17.96%|18.04%	17.96%|18.04%

**Portfolios offered by different RIAs*

MOSt PMS

MOAMC Value Strategy	· Large Cap Portfolio · Strategy has 24 stocks in portfolio · Buy Right & Sit Tight approach
MOAMC India Opportunity Portfolio – V2	· Mid & Small Cap Portfolio · Buy Right & Sit Tight approach · The portfolio consist of 21 stocks
MOAMC Next Trillion Dollar Opportunity Strategy	· Multi Cap Portfolio · The portfolio consist of 27 stocks · Buy Right & Sit Tight approach
MOAMC India Opportunity Portfolio (New Investors)	· Mid & Small Cap Portfolio · Focus Theme for Next Five year · The portfolio consist of 23 stocks
MOAMC India Opportunity Portfolio (Existing Investors)	· Mid & Small Cap Portfolio · Focus Theme for Next Five year · The portfolio consist of 23 stocks
MOAMC Business Opportunity Portfolio	· Multi Cap Portfolio · Buy Right & Sit Tight · The portfolio consists of 14 stocks
Invesco DAWN PMS	· Multi Cap Portfolio · The Portfolio consist of 22 stocks · Demand recovery across cycle & Attractive Valuation
ASK India Entrepreneur Portfolio	· Multi Cap Portfolio · The portfolio consist of 21 stocks · Strategy built primarily on entrepreneur concept.
ASK India Vision Portfolio	· Multi Cap Portfolio. · Beneficiaries of the economic shift in India: Financial, FMCG, & Consumer Discretionary. · The portfolio consist of 22 stocks
Renaissance Midcap Portfolio	· Midcap Portfolio · The portfolio consists of 17 stocks · Idenitfy growth business at an early stage
Renaissance Opportunity Portfolio	· Multi Cap Portfolio · The portfolio consists of 14 stocks · To achieve superior returns over medium term
Alchemy High Growth Portfolio	· Multi Cap Portfolio · The portfolio consists of Maximum 25 stocks · Does not follow Model Portfolio
Marcellus Consistent Compounders PMS	· Multi cap Portfolio · The portfolio consists of 10 -20 stocks · Based on filter approach and in-depth bottom up research

Performance since inception

- √ Large Cap PMS: - VALUE STRATEGY- An amount of 1 cr. Invested in Feb 2003 is worth INR 25.10 crore (CAGR of 19.65%)
- √ Multi Cap PMS: - NTDOP STRATEGY- Amount of 1 cr. Invested in August 2007 is worth INR 6.77 crore (CAGR of 15.22%)
- √ Multi Cap PMS: - ASK IEP STRATEGY- Amount of 1 cr. Invested in January 2010 is worth INR 6.23 crore (CAGR of 18.05%)
- √ Mid & Small Cap PMS: - MOAMC IOP - Amount of 1 cr. Invested in Feb 2010 is worth INR 2.41 crore (CAGR of 7.68%)

Latest Performance of all OUR PMS (Portfolio Management Services) strategies. (Data as on 31st January, 2021)

Period	MOAMC Value	Nifty 50 TRI	MOAMC NTDOP	Nifty 500 TRI	MOAMC IOP	Nifty Smallcap 100 TRI	ASK IEP	BSE 500
1 Month	-1.32%	-2.46%	0.50%	-1.85%	0.78%	1.32%	-4.11%	-1.77%
3 Months	15.38%	17.22%	18.76%	18.08%	15.64%	23.57%	17.04%	18.14%
6 months	19.23%	23.65%	28.23%	25.58%	21.96%	43.93%	25.71%	25.30%
1 year	3.52%	15.22%	10.51%	15.82%	-2.11%	16.54%	11.36%	14.86%
3 Years	5.85%	8.68%	5.38%	6.47%	-6.61%	-5.62%	11.41%	5.42%
5 years	10.20%	13.94%	13.77%	13.61%	7.67%	8.45%	15.01%	12.40%
10 Years	10.61%	10.83%	18.75%	11.10%	8.57%	8.39%	18.40%	9.69%
Since Inception	19.65%	16.88%	15.22%	9.90%	7.68%	8.11%	18.05%	9.40%
CYTD	-1.32%	-2.46%	0.50%	-1.85%	0.78%	1.32%	-4.11%	-1.77%
FYTD	49.58%	59.81%	55.13%	62.68%	55.88%	100.80%	52.06%	61.97%

New product offering: Launch of India Reality Excellence Fund (IREF) - V (Category-II AIF)

Why one should invest in IREF V?

Salient Features

- √ FOCUS ON TOP 7 CITIES - Top 7 cities comprise approx. 75% of the PAN India Market size.
- √ FULLY APPROVED PROJECTS - Mitigate one of the significant risks (approvals) by investing in post approval projects.
- √ SENIOR SECURED LENDING - As a construction finance lender loans carry senior secured charge on the assets and cashflows.
- √ FINANCIAL CLOSURE - Target financial closure for projects which helps projects getting completed on time.
- √ HIGH DIVERSIFICATION - Portfolio diversification through geography/ developer/ transaction limits.
- √ PREFERRED UNIT STRUCTURE - Opportunity to generate preferential risk adjusted returns.

Fund Details	
Target Fund Size	Rs.800 Crore (Rs.1,500 Crore with greenshoe option)
Fund Type	AIF Category II
Target Returns	17-18% IRR (Investment Level)
Tenure of Fund	6 years from final closing date
Commitment Period	3 years from final closing date
Sponsor Commitment	10% (Subject to maximum of Rs.75 Crore – Regular (Rs.50 Crore) & X Units (Rs.25 Crore)

Particulars	Regular Units	Class X Units
Target Size	Rs.500 Crore	Rs.300 Crore
Hurdle Rate	10% IRR (pre–tax)	Not Applicable
Minimum Commitment	Rs.1 Crore	Rs.5 Crore
One time setup fee	Up to 1.50 %	Up to 1.00 %
Management Fee*	1.75%	1.00%
Additional Return	10.00%	Not Applicable

Please refer to private placement memorandum and contribution agreement for further details.

*To be charged upfront on capital commitment in the first year; thereafter to be charged on drawn-down amount till end of commitment period and subsequently on net invested capital.

Note: All above fees are excluding any taxes.

Source: MORE

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