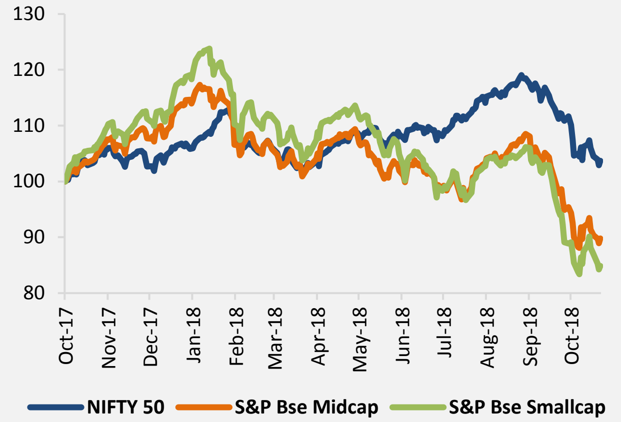
IIFL

Premia Research

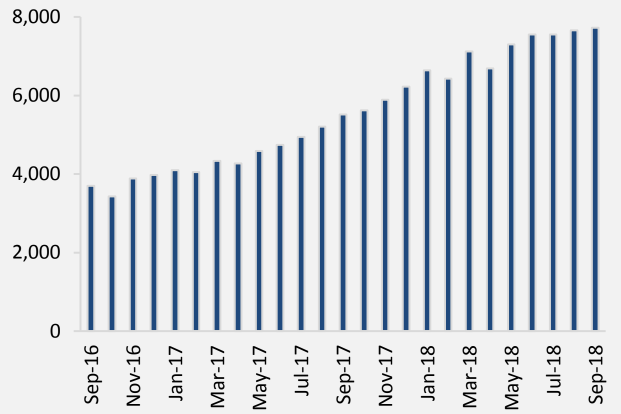
Finding light in challenging times

Index Returns



Source: Bloomberg, IIFL Research

SIP Flows (₹ Cr)



Source: Bloomberg, IIFL Research

Dear Investor,

In the past one year, though Nifty 50 has given a return of ~4%, BSE Midcap and BSE Smallcap have plummeted 10% and 15% respectively. The positive returns of Nifty 50 were largely driven by just 5 stocks i.e. Infosys, TCS, Reliance Industries, ICICI Bank and HDFC Bank. Whereas the carnage in mid and small cap stocks was caused by mutual funds' selling owing to new categorization of MF schemes, GSM/ASM circular of SEBI, change in equity taxation, etc. In addition, liquidity crisis led by IL&FS default, was extended to other NBFCs, which were already reeling under increasing interest rate environment.

The macroeconomic indicators are worsening due to rising crude oil prices, weakening INR against USD, fear of subsequent interest rate hikes by the RBI, US Fed rate hikes and concerns related to trade war. Moreover, state elections in MP, Rajasthan and Jharkhand over December 2018 – January 2019, and general elections in 2019 have made investors cautious on equities.

However, retail investors continue to invest in equity mutual funds via SIPs. Notably, Indian mutual funds have received SIP inflow of ₹64,675cr in CY18 (9M) compared to ₹59,482cr in CY17. The total AUM of Indian mutual fund industry was at ₹22.04 lakh crore in September 2018. This reflect that, today retail investors are more financially educated and upbeat about investing in mutual funds, despite recent disturbances.

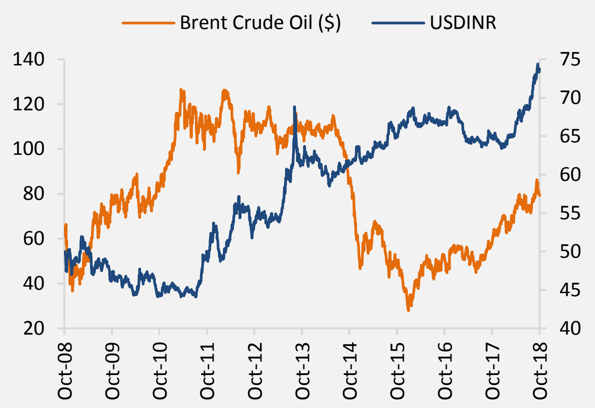
On the economy front, RBI has maintained the GDP growth rate at 7.4% for FY19, as various indicators suggest that economic activity has continued to be strong. However, it has raised concerns over rising input costs leading to contraction of profit margins and tightening in the domestic and global financial markets. RBI has also downgraded the CPI inflation projection to 4% in Q2FY19 from 4.6% and 3.9-4.5% in H2FY19 from 4.8% in October 2018 meeting. However, it changed the stance to 'calibrated tightening', which means more rate hikes are on the cards.

In the debt market, we believe bond yields are expected to remain range bound with an upward bias in the near term on concerns of rising interest rate hikes by RBI, fiscal slippage, surging FII outflows and interest rate hike by US Fed.

In line with IIFL's endeavor of providing our clients with prudent financial advice, we recommend investors to focus on stocks with clear sustainability of earnings growth than percentage of growth. This report highlights the current macros and growth outlook of the Indian economy coupled with our top stocks and mutual fund recommendations. Happy investing!!!

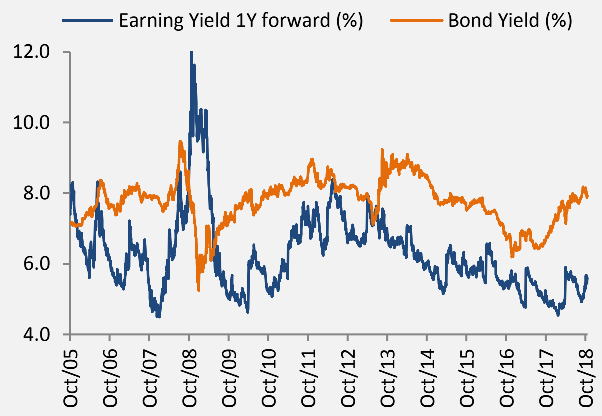
Wishing you a very happy and prosperous Diwali
IIFL Research

USDINR & Brent Crude Oil ($)



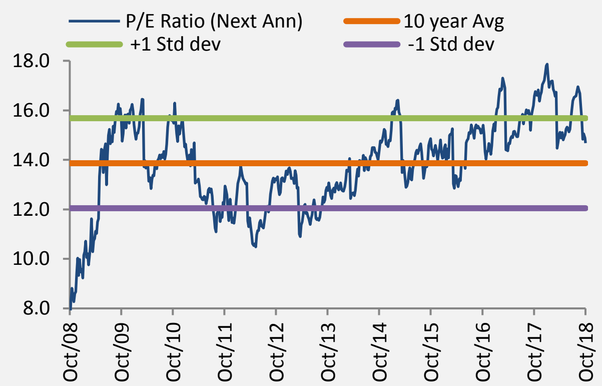
Source: Bloomberg, IIFL Research

Yield Spread



Source: Bloomberg, IIFL Research

Nifty Forward P/E



Source: Bloomberg, IIFL Research

Crude oil prices - The joker in the pack

The crude oil price has gone up ~38% in last one year as OPEC has created dearth of oil to support the crude oil prices, in addition to undersupply created by Iran sanctions. Meanwhile INR has also depreciation ~12% against USD which has magnified the impact on India. As per RBI, the price of the Indian basket of crude oil has increased sharply by US$13 a barrel since August 2018. The Economic Survey of the Government of India has estimated that a $10/barrel rise in crude oil price can increase WPI inflation by 1.7%, widen CAD by $9-10bn, and reduce economic growth by 0.2-0.3%. India's current account deficit widened to $15.8bn (2.4% of GDP) in Q1FY19 due to a higher trade deficit of $45.7bn.

However, US has been pressurizing Saudi Arab to compensate the undersupply created by the Iran sanctions and the latter has given positive indications. If this materializes we will see moderation in the prices of oil. In the case if oil prices continue to rise, the CAD will widen and weaken the INR against USD, and accelerate inflation forcing RBI to further hike interest rates. This may lead to a negative impact on interest sensitive sectors, however positive impact will be witnessed in export oriented and import substitution stories.

Widening spread between bond yield and earning yield

The spread between earnings yield and bond yield has been widening since November 2016. Currently it is near all-time high, at ~230bps, due to rising bond yield and premium equity valuations. In the current environment filled with turmoil, the chances of mean reversion are significantly high. Bond yields are not likely to soften anytime soon, therefore equity yields must rise.

Recent correction reduced the premium equity valuations

Currently, the market is trading at ~6% premium to its 10-year average P/E ratio compared to a premium of ~12% a month ago. Further, due to recent correction, the Nifty 50 is now trading below +1 std dev P/E ratio. Besides, recovery in economic scenario and commodity prices are favorable tailwinds for corporate earnings growth. In FY19, corporate earnings may still grow at ~14% against a previous expectation of ~20% growth due to worsening macros. This is still better that the single digit growth rates of past couple of years.

The current correction has given an opportunity to investors to invest in good quality businesses at reasonable valuations after a long spell of over-valuation. Investors should focus on sustainability of earnings growth than percentage of growth while investing in current round of market uncertainty. As smallcaps and midcaps are down by more than 30%, one can start to bottom fish in good quality companies but avoid averaging stocks whose fundamentals have deteriorated significantly.

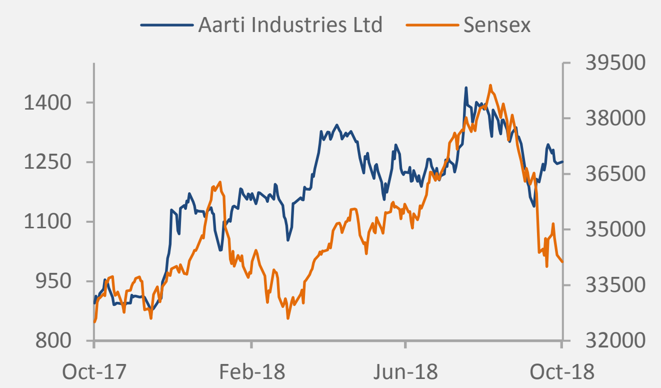
IIFL Diwali 2018 Picks

IIFL Premia Research

Stock Data

Sensex	34,034
52 Week h/l (₹)	1,435 / 851
Market cap (₹ Cr)	10,284
BSE Code	524208
NSE Code	AARTIIND
FV (₹)	5.0
Div yield (%)	0.1

Share Price Trend



Prices as on Oct 24, 2018

Aarti Industries (Aarti) [CMP: ₹ 1,265; Target: ₹ 1,517; Upside: 19.9%]

- Aarti is one of the leading Indian manufacturers of benzene-based specialty chemicals (~78% of FY18 revenue), pharmaceuticals (~15%) and home & personal care segments (~7%).
- Aarti's business model is backed by presence across the value chain (final & intermediate products) and strong base in export markets (~48% of FY18 revenue). We expect volume growth of 12-15% over FY18-20E.
- Aarti's multi-year project (10-years and 20-years supply contract) wins worth ₹14,000cr (FY18) provides long term visibility to generate robust earnings.
- Aarti being a net exporter (~26% of FY18 revenue), is a beneficiary in the rupee depreciation scenario. However, benefits of rupee weakness will flow through in FY20E, after the existing hedges roll off. We expect revenue CAGR of ~18% with EBITDA margin expansion by ~140bps and PAT CAGR of ~24% over FY18-20E.
- Aarti's play across integrated value-chain, long term orders, strong customer relationships and consistent return ratios justify our valuation multiple. We recommend BUY with target price of ₹1,517, valuing at ~23x FY20E EPS.

Financial Summary (Consolidated)

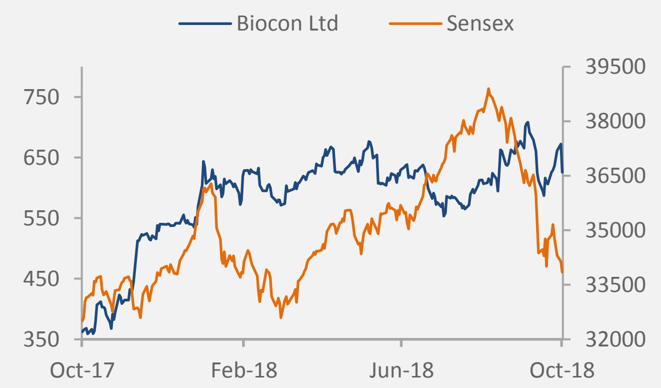
₹ Cr.	Revenue	EBITDA Margin (%)	EPS (₹)	EPS Growth (%)	P/E (x)	ROE (%)	ROCE (%)
FY19E	4,643	18.8	51.8	26.6	23.4	23.7	16.7
FY20E	5,293	19.8	63.3	22.1	19.2	23.2	17.2

Source: Company, IIFL Research

Stock Data

Sensex	34,034
52 Week h/l (₹)	718 / 344
Market cap (₹ Cr)	38,676
BSE Code	532523
NSE Code	BIOCON
FV (₹)	5.0
Div yield (%)	0.3

Share Price Trend



Prices as on Oct 24, 2018

Biocon Limited [CMP: ₹644; Target: ₹ 768; Upside: 19.3%]

- Biocon is developing several biosimilars with its two commercial partners, Mylan and Sandoz. Its pipeline with Mylan has started to see approvals and launches which will aid Biocon's PAT growth by 5-6x over next five years. Additionally, pipeline with Sandoz will create further growth opportunity for Biocon.
- Biocon/Mylan have received USFDA approvals for Trastuzumab (Ogivri)/Pegfilgrastim (Fulphila) in US and Insulin Glargine (Semglee) in Europe. Ogivri and Fulphila are expected to be launched in Europe over next few months following recent positive CHMP opinion. Fulphila has been launched in US in Q2FY19, while Ogivri launch is expected in H2FY19E.
- Biocon's research subsidiary, Syngene, has tailwinds like rupee depreciation and rising penetration of R&D outsourcing in pharmaceutical R&D spend. Syngene's revenue/PAT is expected to grow at 27%/30% CAGR over FY18-20E on the back of new client additions, foray in API manufacturing and strong outlook on biologics.
- We expect Biocon to report PAT CAGR of 114% over FY18-20E and recommend Buy with target price of ₹768 (27x FY20E EPS).

Financial Summary (Consolidated)

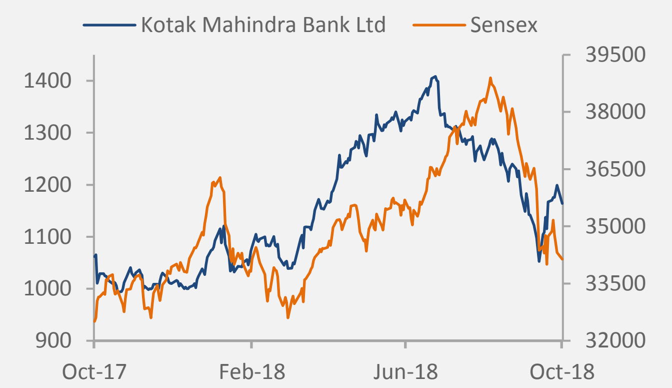
₹ Cr.	Revenue	EBITDA Margin (%)	EPS (₹)	EPS Growth (%)	P/E (x)	ROE (%)	ROCE (%)
FY19E	4,865	28.2	11.77	89.6	54.7	15.1	17.6
FY20E	6,904	41.8	28.46	141.8	22.6	28.9	36.6

Source: Company, IIFL Research

Stock Data

Sensex	34,034
52 Week h/l (₹)	1417/ 983
Market cap (₹ Cr)	224,000
BSE Code	500247
NSE Code	KOTAKBANK
FV (₹)	5.0
Div yield (%)	0.1

Performance vs Sensex



Prices as on Oct 24, 2018

Kotak Mahindra Bank (KMB) [CMP: ₹1,177; Target: ₹1,380; Upside: 17.2%]

- Kotak Mahindra Bank is expected to register strong loan growth at 20% CAGR over FY18-20E largely due to robust increase in corporate and retail segment lending.
- Higher savings deposit will further aid CASA ratio (~50.2% current), helping the NIM to be maintained in the range of 4.4-4.6% (best in the industry) over FY18-20E.
- KMB is expected to deliver 27% earnings CAGR over FY18-20E led by a well-capitalised balance sheet, granular book, controlled opex through digitalization and superior asset quality. Its SMA-2 balance is lowest in the banking industry.
- KMB continues to be at the forefront of gaining market share in its key businesses. Subsidiaries' contribution to increase to 40% of consolidated net profit by FY20E (36% in Q1FY19).
- The bank would continue to benefit from market share gains and superior profitability & capitalisation vs. peers. At CMP, KMB trades at 3.9x/3.3x FY19E/20E P/BV. We value KMB at SOTP-based valuation of ₹1,380 (3.3x FY20E P/BV) + ₹209 for subsidiaries) and recommend Buy with target price of ₹1,380.

Financial Summary (Consolidated)

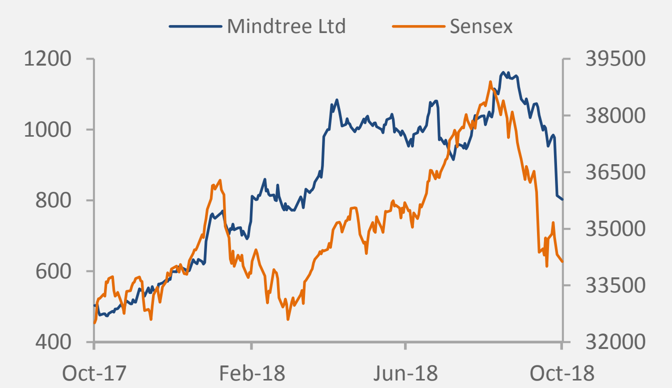
₹ Cr.	NII	PPOP	EPS (₹)	EPS Growth (%)	P/BV (x)	ROA (%)	ROE (%)
FY19E	15,213	13,064	40.3	23.7	3.9	2.1	14.1
FY20E	18,926	16,661	52.1	29.4	3.3	2.2	15.8

Source: Company, IIFL Research

Stock Data

Sensex	34,034
52 Week h/l (₹)	1,184 / 469
Market cap (₹ Cr)	13,225
BSE Code	532819
NSE Code	MINDTREE
FV (₹)	10.0
Div yield (%)	1.1

Share Price Trend



Prices as on Oct 24, 2018

MindTree Ltd. [CMP: ₹ 806; Target: ₹ 1,081; Upside: 34.2%]

- Mindtree, India's eighth largest IT services company, has strong digital capabilities. The stock has corrected almost 30% since Sep'18 and trades at attractive valuations vs. peers despite better revenue and EPS growth profile.
- In our view, the correction has factored in the concerns related to recent softness/macros and we reckon that Mindtree is likely to outperform peers like LTI, Mphasis and Hexaware. Our belief is based on the company's strong digital capabilities, which resonates well with clients, resulting in higher digital deal sizes.
- Our view is also based on the fact that its large client (in Top 10) issues have bottomed out. Its Top, Top-5 and Top-10 clients have added ~50% of the incremental revenues over the past eight quarters. Led by high growth in top clients, we expect overall revenue CAGR of 23% and EBITDA margin improvement of ~300bps (FY18-20E).
- Mindtree trades at ~15% discount vs. peers, which is unjustified. We value the stock at 18x FY20E EPS (~5% discount) and recommend Buy with target price of ₹1,081.

Financial Summary (Consolidated)

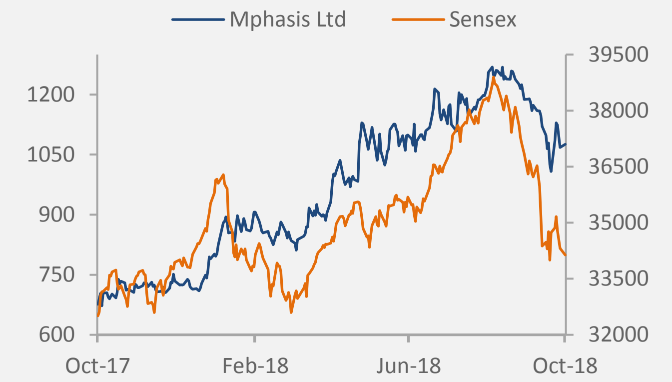
₹ Cr.	Revenue	EBITDA Margin (%)	EPS (₹)	EPS Growth (%)	P/E (x)	ROE (%)	ROCE (%)
FY19E	7,141	15.4	48.3	39.0	16.6	25.5	33.7
FY20E	8,268	16.6	60.0	24.4	13.4	27.4	36.2

Source: Company, IIFL Research

Stock Data

Sensex	34,034
52 Week h/l (₹)	1,279 / 646
Market cap (₹ Cr)	19,785
BSE code	526299
NSE code	MPHASIS
FV (₹)	10.0
Div yield (%)	1.9

Share Price Trend



Prices as on Oct 24, 2018

Mphasis Ltd. [CMP: ₹ 1,023; Target: ₹ 1,328; Upside: 29.8%]

- Mphasis, a mid-sized IT company (part of Blackstone group), is likely to post industry leading growth on the back of traction in Direct core and HP channel.
- Direct core accounts for 78%/55% to Direct International/Overall revenues. Direct International deal TCV in H1FY19 reached USD363mn vs. USD551mn in FY18 of which, new-gen services made up ~77%. Significant deal wins in new-gen services (across accounts and new clients) provide good revenue visibility and hence, we expect Direct core USD revenue CAGR of ~14% over FY18-20E.
- HP channel (~28% of overall revenues) has turned into a valuable contributor after years of underperformance and steady mining of the channel is likely to aid USD revenue CAGR of ~13% over FY18-20E.
- We project overall revenue and PAT CAGR of 17% and 23% respectively with margins improving by ~200bps over FY18-20E to 18.3%. We value Mphasis at 20x FY20E EPS and recommend Buy with target price of ₹1,328.

Financial Summary (Consolidated)

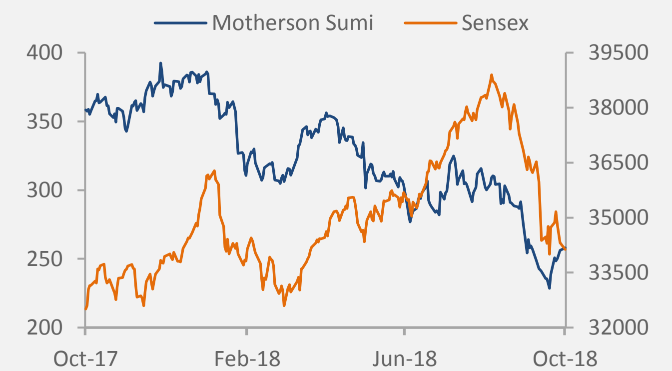
₹ Cr.	Revenue	EBITDA Margin (%)	EPS (₹)	EPS Growth (%)	P/E (x)	ROE (%)	ROCE (%)
FY19E	7,828	17.2	57.4	32.7	17.7	18.6	23.0
FY20E	9,043	18.3	66.4	15.6	15.4	19.8	25.4

Source: Company, IIFL Research

Stock Data

Sensex	34,034
52 Week h/l (₹)	395 / 221
Market cap (₹ Cr)	51,513
BSE Code	517334
NSE Code	MOTHERSUMI
FV (₹)	1.0
Div yield (%)	0.9

Share Price Trend



Prices as on Oct 24, 2018

Motherson Sumi Systems (MSSL) [CMP: ₹ 245; Target: ₹ 293; Upside: 20%]

- Motherson Sumi, auto ancillary player, derives revenues from standalone wiring harness (14%), mirrors (SMR- 22%), polymers (SMP- 43%), global wiring harness (PKC-16%) and others (5%). Company has successfully acquired / integrated 21 companies till date. Hence, it is set to achieve FY20E revenue target of $18bn ($10bn FY18) via combination of organic ($12-13bn revenues) and inorganic ($5-6bn) initiatives.
- PKC reported EBIT margin of 6.7% in Q1FY19 (Q1FY18 - 4.6%) and likely to reach 10% by FY20E led by robust growth of N. America Class 8 truck volumes. SMP EBITDA margin is projected to expand 260bps over FY18-20 to 8.5% on declining start-up cost and capacity ramp-up at 3 upcoming plants. SMR margin to remain steady at ~12%.
- Currently, MSSL faces headwinds such as rising input costs, low client profitability due to ongoing tariff war and slowing passenger vehicle growth in India.
- At CMP, MSSL trades at 15x FY20E EPS (35% discount to avg. 10yr forward PE) and we believe the recent correction is overdone (30% over past 6 months). We expect consolidated revenue, EBITDA and PAT to register 16%, 29% and 47% CAGR respectively over FY18-20E. We value MSSL at 18x FY20E EPS and recommend Buy with a target price of ₹293.

Financial Summary (Consolidated)

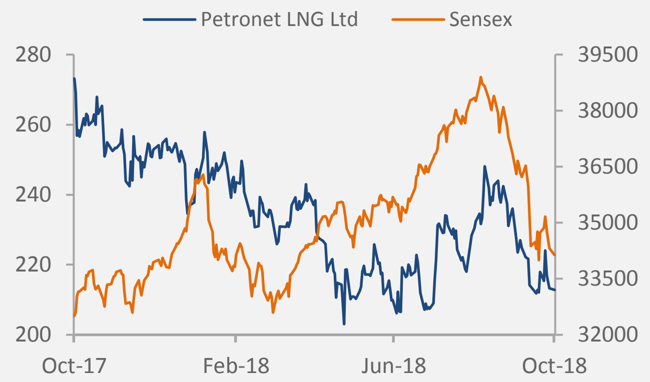
₹ Cr.	Revenue	EBITDA Margin (%)	EPS (₹)	EPS Growth (%)	P/E (x)	ROE (%)	ROCE (%)
FY19E	66,563	10.4	12.3	61.9	19.9	25.7	22.8
FY20E	75,439	11.2	16.3	32.7	15.0	28.7	28.6

Source: Company, IIFL Research

Stock Data

Sensex	34,034
52 Week h/l (₹)	276/ 202
Market cap (₹ Cr)	31,905
BSE Code	532522
NSE Code	PETRONET
FV (₹)	10.0
Div yield (%)	2.1

Performance vs Sensex



Prices as on Oct 24, 2018

Petronet LNG (PLNG) CMP: ₹213; Target: ₹256; Upside:20%

- Petronet LNG, is set to benefit from ~17% capacity expansion at Dahej terminal to 17.5mmt by FY19E from current 15mmt. We expect this to aid incremental Dahej volumes of ~48tbtu to ~864tbtu by FY20E.
- Kochi terminal will see an improvement in its capacity utilization to 40% over FY18-20E (~12% in FY18), as Gail India has accelerated construction of the Kochi-Mangalore gas pipeline (completion expected by Q4FY19E).
- Company does not face the risk of upcoming competition as almost 100% of PLNG's capacity has use-or-pay contracts along with the competitive tariffs.
- We expect revenue and PAT CAGR of ~16% and ~19% over FY18-20E respectively. The stock trades at 10.8x FY20E EPS with discount valuation (~21%) to its 3-year average. We recommend Buy on the stock (13x FY20E EPS) with a target price of ₹256.

Financial Summary (Standalone)

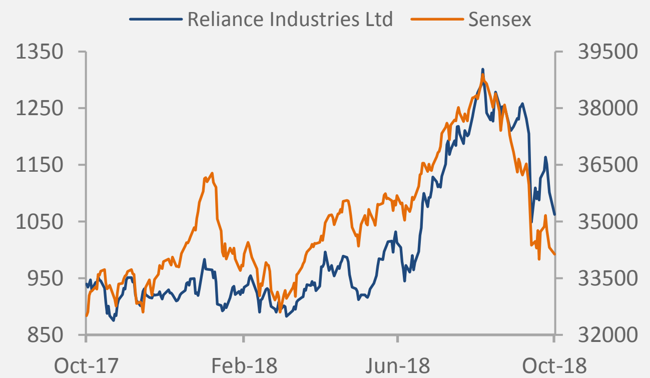
₹ Cr.	Revenue	EBITDA Margin (%)	EPS (₹)	EPS Growth (%)	P/E (x)	ROE (%)	ROCE (%)
FY19E	35,819	10.8	16.3	17.9	13.0	23.4	30.3
FY20E	41,067	11.0	19.7	20.4	10.8	24.6	31.7

Source: Company, IIFL Research

Stock Data

Sensex	34,034
52 Week h/l (₹)	1329/ 862
Market cap (₹ Cr)	663,385
BSE Code	500325
NSE Code	RELIANCE
FV (₹)	10.0
Div yield (%)	0.6

Performance vs Sensex



Prices as on Oct 24, 2018

Reliance Industries (RIL) [CMP: ₹1,047; Target: ₹1,310; Upside:25%]

- Reliance Industries is expected to witness improvement in petrochemicals segment with Refinery off-gas cracker (ROGC) being commissioned and strong polyester & fiber intermediates demand.
- International Maritime Organization (IMO) regulation is expected to aid diesel demand benefiting complex refineries like RIL. We expect GRM to be in range of $11-11.5/bbl over FY19E-20E.
- RIL's largest petcoke gasification unit at Jamnagar is under commissioning, which is expected to bring full benefit of bottom-of-the-barrel conversion to its refining business. This is likely to improve GRM by up to $2/bbl gradually over FY19E-21E.
- JIO continues to surprise with robust subscriber additions and steady improvement in profitability. We estimate steady state Revenue Market Share (RMS) of ~43% for JIO.
- We expect revenue and PAT CAGR of ~27% and ~18% over FY18-20E respectively. We recommend Buy with SOTP target price of ₹1,310 (Refining – 7.5x EV/EBITDA, Petrochemical – 7.5x, E&P – 6x, JIO – 21x, Retail – 22.5x).

Financial Summary (Consolidated)

₹ Cr.	Revenue	EBITDA Margin (%)	EPS (₹)	EPS Growth (%)	P/E (x)	ROE (%)	ROCE (%)
FY19E	606,300	14.3	72.7	31.8	14.4	14.7	12.1
FY20E	630,600	15.5	78.7	8.3	13.3	14.1	12.1

Source: Company, IIFL Research

SIP Investors - Don't time the market

Time in the market is important than timing the market

In the current volatile markets, many investors have stopped their SIPs or are waiting for the 'bottom of the market' to start SIPs. We have always advocated our investors to invest in the market despite ups and downs in order to create wealth over the long term. Equity market is volatile in short term but it tends to give inflation beating returns in the long term.

The below table exhibits SIP returns started in different mutual funds from January 08, 2008, when the market was at all-time high to March 08, 2009, when the market was at bottom. The total investment period was 15 months and all mutual fund investments were loss making as on March 09, 2009 since the market crashed due to sub-prime crisis. But as the equity market recovered from the global slow down, all the mutual funds were in profit in the subsequent years. Therefore, we advise investors to continue to invest in equity mutual funds despite temporary shockwaves to create wealth in the long term. Happy Diwali!!!

Table 1: Return of SIP from Jan 08, 2008 to Mar 08, 2009)

Scheme Name	SIP Returns (from Jan 08, 2008)					
	As on Mar 09, 2009 (%)	3Y (%)	5Y (%)	7Y (%)	10Y (%)	As on Oct 23, 2018 (%)
Aditya Birla SL Equity Fund(G)	-56.5	22.5	12.2	16.9	17.0	14.0
Aditya Birla SL Equity Hybrid '95 Fund(G)	-36.8	25.7	16.4	18.9	16.8	14.1
Aditya Birla SL Frontline Equity Fund(G)	-47.3	26.6	16.5	18.9	16.9	14.3
DSP Equity Opportunities Fund-Reg(G)	-50.0	25.8	14.1	16.9	17.4	13.7
DSP Midcap Fund-Reg(G)	-54.1	35.7	21.5	24.3	22.6	18.0
DSP Small Cap Fund-Reg(G)	-68.1	38.3	21.7	28.3	27.4	20.5
Franklin India Bluechip Fund(G)	-47.9	26.8	16.0	16.8	15.1	12.6
Franklin India Equity Fund(G)	-48.7	22.9	15.5	19.2	17.2	14.4
Franklin India Prima Fund(G)	-60.2	27.1	18.8	24.4	22.2	18.1
Franklin India Smaller Cos Fund(G)	-61.0	26.4	18.2	26.1	24.3	19.1
HDFC Equity Fund(G)	-54.2	35.1	19.1	20.9	18.1	15.1
HDFC Mid-Cap Opportunities Fund(G)	-53.0	32.8	21.9	26.6	24.3	19.5
ICICI Pru Equity & Debt Fund(G)	-38.3	17.1	14.3	17.8	16.4	14.2
ICICI Pru Value Discovery Fund(G)	-52.3	40.4	25.3	28.2	22.6	19.8
Reliance Growth Fund(G)	-53.7	25.9	14.8	16.9	17.2	13.1
SBI BlueChip Fund-Reg(G)	-52.6	19.9	13.0	16.5	15.9	13.1
SBI Equity Hybrid Fund-Reg(G)	-43.2	18.3	12.1	16.1	15.0	12.8
SBI Magnum Multicap Fund-Reg(G)	-56.2	16.5	9.2	14.4	15.3	12.3
Tata Equity P/E Fund(G)	-53.2	27.7	15.5	19.8	19.3	15.8
UTI Equity Fund-Reg(G)	-43.9	25.9	16.5	18.8	16.2	14.2
NIFTY 50	**-52.2**	**19.7**	**10.8**	**12.7**	**11.5**	**10.0**

**The mutual fund schemes were for representation purpose only, not recommendations*
Mutual fund returns are subjected to market risk
Source: ACE Equity, IIFL Research; Returns are annualized

IIFL Premia Research

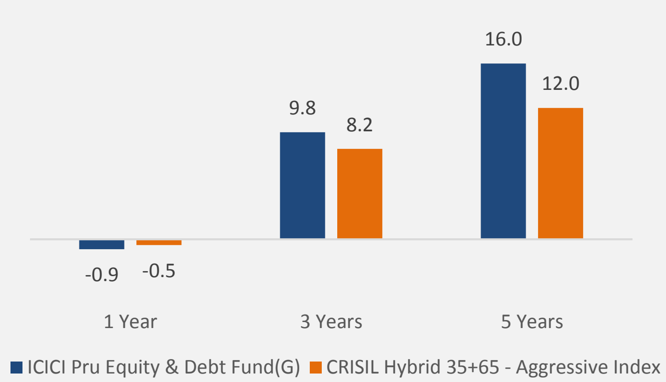
Mutual Funds to invest in this Diwali

Equity is the best way to create wealth in long term vs. other asset classes like debt, gold, real estate, etc., since historically it has been seen that equity based investments have given inflation beating returns over long term despite short term volatilities. Equity mutual fund is a right way for investors to invest in equity market who do not have time and/or knowledge to understand the equity market. The Indian mutual fund industry is well regulated, transparent and mature. Instead of timing the market, investors can regularly invest in the market and can reap the benefit of 'Rupee Cost Averaging' vis SIP.

Thus, on this auspicious occasion of Diwali we present some mutual fund recommendations to create wealth in the long term.

ICICI Pru Equity & Debt Fund

Return (%)

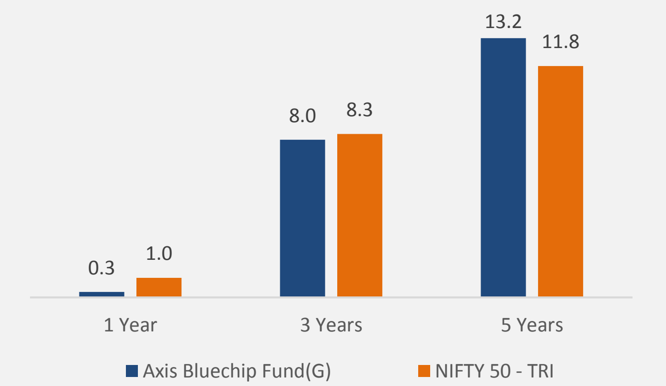


**1-year return is absolute; returns above 1 year are CAGR*
**Returns as on Oct 23, 2018*

- It is an equity-oriented balanced fund which does tactical allocation between debt and equity based on the market outlook to ensure optimal risk reward.
- The fund increases its exposure in debt when the equity market is overvalued and increases its allocation to equity when it is undervalued.
- As of September 2018, the fund had invested ~68% of AUM in equity, ~23% was allocated to debt, ~9% (~₹2,368cr) was in cash and had ~4% of short position in Nifty 50 futures. The fund had invested ~61% of the AUM in largecap stocks, while ~7% was invested in midcap and smallcap stocks.
- Investors who want to follow balanced approach i.e. ~70% equity and ~30% debt can invest in the scheme to create wealth in the long term.

Axis Bluechip Fund

Return (%)



**1-year return is absolute; returns above 1 year are CAGR*
**Returns as on Oct 23, 2018*

- It is an equity fund which primarily invests in top 100 stocks by market capitalization. The fund invests in companies which have significant market share and are leaders in their respective industries.
- The fund's strategy is to invest in quality companies with credible management, sustainable profit growth & cash flow, and having a clean balance sheet.
- As of September 2018, the fund had invested ~80% of AUM in large cap stocks and ~14% (~₹390cr) in cash. The fund had highest allocation to Private Banks (~18%), followed by IT (~12%), and Auto - PV (~7.4%).
- Investors who want to primarily invest in diversified portfolio of largecap stocks can invest in this fund to create wealth in the long term.

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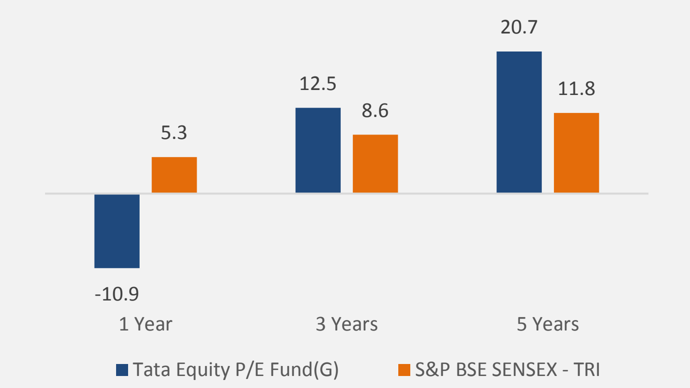
Tata Equity P/E Fund

- It is a value conscious equity fund which aims to invest 70-100% of its AUM in stocks whose 12 months rolling PE ratio is lower than 12 month rolling PE ratio of BSE Sensex. The remaining AUM is allocated in other equity and debt instruments.
- As of September 2018, the fund had invested ~65% of AUM in largecap stocks, ~20% was allocated to midcap and smallcap stocks, and ~16% (₹749cr) in cash. The fund had the highest allocation to Refineries (~10.6%), followed by HFC (~9%) and Private Banks (~7%).
- Value conscious investors who want to invest in large cap and mid cap stocks can invest in the fund to create wealth in the long term.

Return (%)

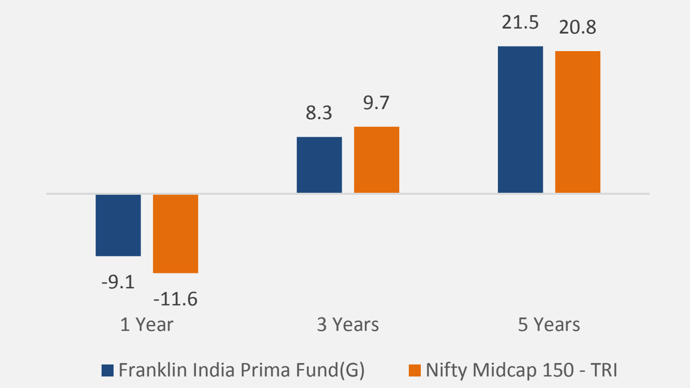


**1-year return is absolute; returns above 1 year are CAGR*
**Returns as on Oct 23, 2018*

Franklin India Prima Fund

- It predominantly invests in smallcap and midcap stocks, which tend to exhibit higher growth than largecap stocks. It aims to identify and invest in companies which are at an early stage of the business life cycle, as they have an enormous potential to grow.
- As of September 2018, the fund had invested ~65% of AUM in midcap stocks, ~15% was in largecap stocks and ~11% was allocated to smallcap stocks. The fund had the highest allocation to Private Banks (~12.7%), followed by Bearings (~4.7%) and Pharma (~4.5%).
- Investors who want to primarily invest in midcap stocks can invest in this fund to create wealth in long term.

Return (%)

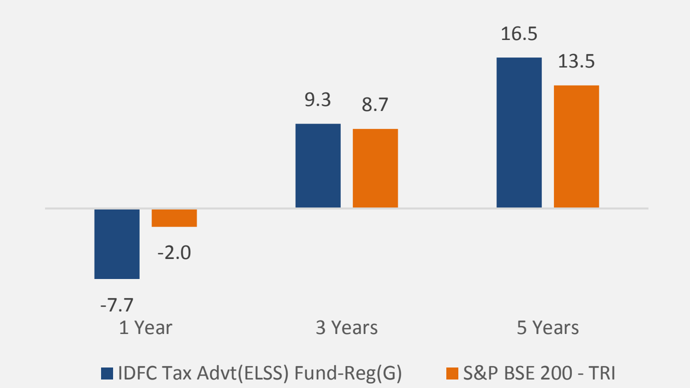


**1-year return is absolute; returns above 1 year are CAGR*
**Returns as on Oct 23, 2018*

IDFC Tax Advt (ELSS) Fund

- This fund is a tax saving fund i.e. ELSS which invests across market cap. The fund manager follows a blend of growth and value style of investing and uses bottom-up approach to select its stocks.
- As of September 2018, ~47% of its AUM was invested in largecap stocks, ~27% was allocated to smallcap stocks and ~19% was in midcap stocks. The fund had highest allocation to Private Banks (~15.4%), followed by IT (~9.2%) and Pharma (~6.2%).
- Investors who want to save tax and invest in diversified portfolio across different market caps can invest in this fund to create wealth in the long term.

Return (%)

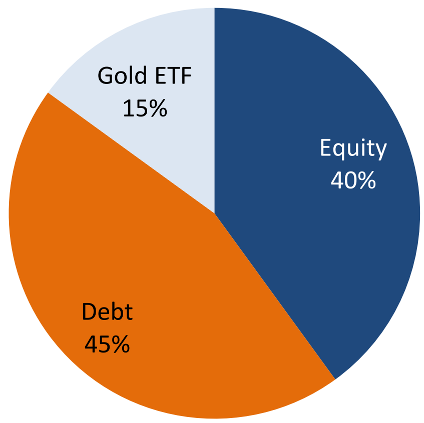


**1-year return is absolute; returns above 1 year are CAGR*
**Returns as on Oct 23, 2018*

Asset Allocation

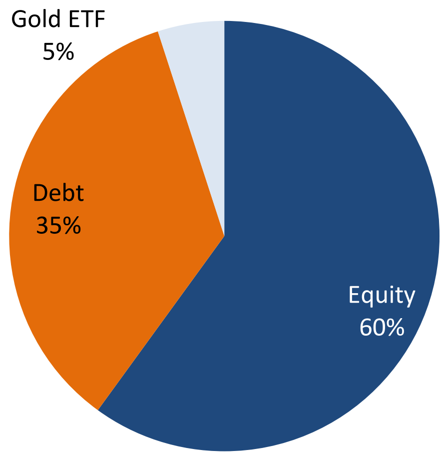
Conservative portfolio

A Conservative investor aims to generate a healthy mix of capital appreciation and capital protection. His primary aim is capital protection. The 60% exposure to debt and gold ensures a capital protection, while 40% allocation to equity will generate high returns in the long term.



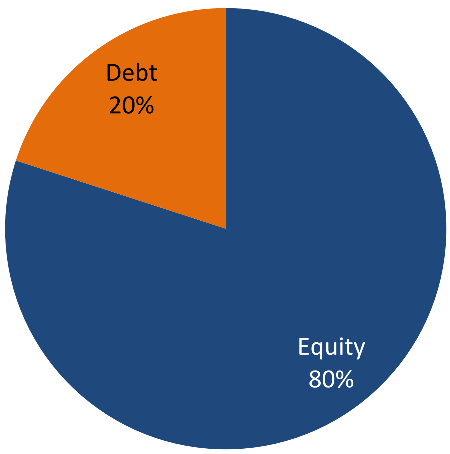
Moderate portfolio

A moderate investor seeks for a mixture of modest capital appreciation, safety and income. His key objective is to generate decent returns with limited downside risk. The 35% exposure to debt and 5% exposure to gold will ensure limited downside risk, while 60% allocation to equity will enhance alpha in long periods.



Aggressive Portfolio

An aggressive investor hunts for higher returns and is ready to face the short term volatility. So, he should allocate 80% of his capital to equity to generate higher returns. He should also invest in debt to keep a favorable risk reward.



Disclaimer

Recommendation Parameters for Fundamental/Technical Reports:

Buy – Absolute return of over +10%
Accumulate – Absolute return between 0% to +10%
Reduce – Absolute return between 0% to -10%
Sell – Absolute return below -10%

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

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