MARKETCRY

A Complimentary Magazine on Investment

December 2017 Volume 01 Issue 02

Basic Technical Terms in the Stock Market

After-market Hours Trading: This is not necessarily trading of stocks beyond normal trading session. Instead, it is rather after-market-order(AMO). AMO is a facility provided by brokers to its clients to place an order when the market is closed. It could be either a buy order or sell order.

For those who have a regular day job trading of securities during market hours may be unviable. After-market orders help such investors to participate. Though the order shall get executed only when the market opens the next day. In India, normal trading session starts at 9.30 am and closes at 3.30 pm.

Ask price: This is the lowest price at which someone is willing to sell a stock. Generally, buyers try to buy at the lowest price while sellers attempt to sell at the highest price.

Bear Market: A longer trend in the market when overall share prices decline. As a rule, bear markets occur when a majority of the investors are selling. This lowers the demand and hence, prices come down. There could be a slowdown in the real economy or business cycle or could be from a variety of reasons. However, markets go for a steep rise after a bear market. Contrary to what many do, this is often the best time to pick stocks.

Bellwether stock: A stock that is indicative of a short-term trend or direction of a particular industry, sector or the market as a whole. A bellwether stock has a huge institutional ownership and is often a large-cap.

After decades of growth a stock may reach bellwether status. HDFC and Reliance Industries are two bellwether stocks in India. These stocks have an influence on the direction of the BSE Sensex. A rise or fall in either would make the Sensex react accordingly.

Bull Market: A trend in the market when share prices go up. The volumes traded during this phase are a lot higher than those in a downtrend. Also, Bull markets tend to last longer than a bear market. There happens to be a lot of optimism and buying interest in the market. At this juncture it becomes extremely difficult for a novice investor to differentiate a dud from the real winner.

Blue-chip stock: A leading stock in a particular industry or sector that is well-renowned and boasts sound financials. It is often a large company with great track record. Perceived to withstand market downturns and other adverse conditions, they are supposedly a safe investment bet.

Circuit Filter: A mechanism used by stock exchanges to curb excessive volatility or fluctuation in stock prices. Once limits are hit on either side (high or low) trading gets suspended. Circuit filters or circuit limits are introduced in the interest of investors' safety. There are circuit filters for indexes as well.

Day Trading: When people buy and sell shares within the same trading session it is known as day trading. It generally involves taking a leveraged position(either buy or sell) and closing it before the end of the session. Day trading can also be cash position. Those who day trade are active traders and monitor each and every movement of stock prices as well as other indicators. Risk is very high in such type of trading and inexperienced investors should keep themselves away from it.

Hedge: A hedge is a type of investment strategy wherein one takes two investment positions in order to minimize the loss incurred by any one position. The two investments are such that they are inversely related to each other. Gold and stocks are one such combination. If the stock market crashes gold shall rise. Thus the loss incurred by the stock is offset by the gains in gold.

IPO(Initial Public Offering): This is an event in a privately held company when it sells a portion of the total shares to the general public. After an IPO the shares are listed on an exchange and anybody could buy them. After listing a private company becomes a public company. An IPO is an exit route for Venture Capitalists and other investors (individual and institutional) who make investment in the initial stage.

In an IPO the company makes an offer to the public to subscribe to the lot of shares at a pre-determined price band. The shares are then allotted to the applicants through a computerized lottery system. Then on the listing day, the shares are available to trade on the exchanges.

Margin: Margin trading is borrowing money from the broker to buy shares. Margin amount depends on the prices of shares. An increase in value from the purchase price decreases the margin amount and vice versa. With margin loan one cannot take delivery of the shares. Day trading is typically done on margin.

Spread: This is the difference in the bid price or buy price and the ask price or sell price of a stock or any other security. The higher the spread the more time it takes for a buy/sell order to get executed. The spread thus determines the liquidity of an underlying stock.

Rally: A rally is a period in the stock market when prices rise continually. A rally could be either in the index or a sector or in a particular stock. An increase of 1 0% and above is generally considered to be a rally.

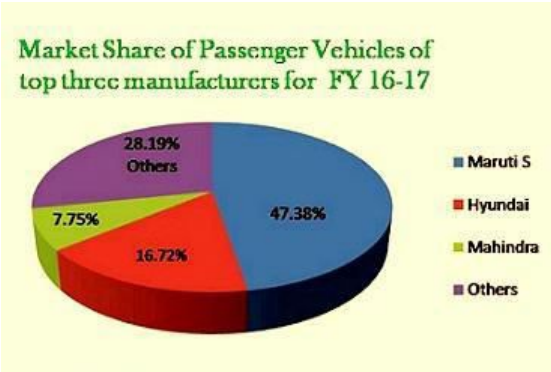
Volatility: This refers to the swing in prices of stocks or indices in either direction. Volatility in stocks is more common than indices. A volatile stock has wide range of movement during intra-day. Volatile stocks have low volume and hence thinly traded and are more often than not, manipulated.

Pick of the herd: MARUTI SUZUKI in Top Gear!

Texts: Sunny

Among the auto sector in India MARUTI SUZUKI(MS) occupies a distinctive position. Boasting of a leading market share it has delivered quarter on quarter year after year.

The following chart illustrates the market share of top three automobile manufacturers in India.



Sales Report for the month of October, 2017: For this period Maruti Suzuki posted a sales figure of 146,446 units. In October 2016 it sold 1 33,793 units thus registering a growth of 9.5%. The fact that this year the festive season fell on October also helped clocked robust sales.

MARUTI SUZUKI

Way of Life!

Brand Equity of Maruti Suzuki: MS is synonymous with trust among the Indian consumer psyche and it enjoys customer loyalty few others can match. There are many across the length and breadth of the country who would not buy a car from any other brand other than from Maruti!

MS is also known for value-for-money. The Japanese partner in the joint-venture "Suzuki" has ensured that their products are reliable, efficient and easier to fix. Despite increasing competition from foreign manufacturers Maruti has held its turf very well.

Product portfolio:

As on November 2017 there are sixteen models on offer catering to a wide range of customers, from small hatchbacks to sedans to UVs (Utility Vehicles). Maruti Suzuki is always on its toes launching new models and phasing out obsolete ones. This coupled with the ability to fulfill customers' demands have helped them to retain customers for long.

N E X A

Moving up-market with NEXA

MARUTI SUZUKI launched this new brand of retail outlets "NEXA" to sell its premium models in 2015. The company aims to capture the younger generation of car buyers who move to other brands since they could not relate to Maruti.

At the time of going to press, there are six models on sale through NEXA.

With NEXA Maruti Suzuki makes a radical departure from the past where the focus was on value. NEXA's core value is delivering great service and experience to its potential and existing customers.

This move is highly significant since the Indian automobile consumer is making a shift towards features, design, technology, safety etc. of a car. Price is still important but no longer as dominant as before.

Two years on, it seems the strategy has paid off. Between FY15- FY17 revenues went up 17% CAGR(Compounded annual growth rate) while during the period FY13-FY15, the CAGR growth was only 7%.

Financial Performance in the quarter ending September, 2017: Maruti Suzuki continues to be a blue-chip with impeccable track record year after year.

For 2nd quarter of FY17-18, Maruti Suzuki posted a net profit of 2484.3 crore. In the same period a year ago the net profit was 2401.5 crore. This corresponds to an increase of 3.4% year on year.

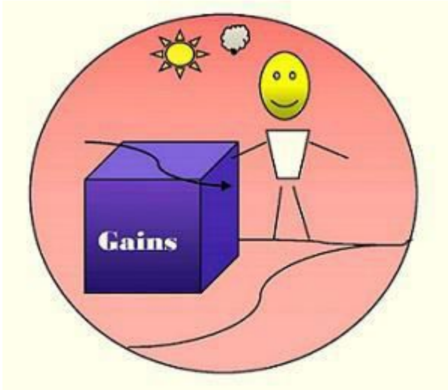
MARUTI SUZUKI Stock as Investment

Looking at the strong financials and competent product portfolio the future seems bright for MARUTI SUZUKI. Some challenges like government norms on emissions and safety could crop up but the management is more than capable of handling such issues with ease.

The stock closed at Rs. 8204.80 on the NSE on 9th November 2017. Between January 2017 and November 2017, the stock delivered a return of 50.95%.

At a PE of 33.06, it is not exactly cheap. Of course, for the premium one also gets quality management, sound fundamentals, etc.

Considering all of the above, we suggest a BUY rating on the stock for long term.



Trading vs Investing by Sunny

Trading and investing- though both refer to buying and selling of securities are, in fact, two different appraoches. They are different in objectives and both use different tools and techniques to achieve their ends.

First-timers are often lured into big gains in trading. Many presume that to net a handsome gain everyday one has to open a trading account and start buying shares in the morning and sell by the session's end. And a few months later, one would end up as a millionaire. Oh, how this charm of quick money makes trading so hard to resist!

Well a few months later, cold hard reality would kick in in place of cash and a third(or more) of the capital might also have gone. All this brings frustration to our new trader who realizes all these "stocks, markets, trades" etc. are not for him and makes an exit from equities swearing never to set foot gain!

The problem here is not trading vs investing but a lack of knowledge. Even in investing too, putting money without proper homework is as damaging as trading.

Another devil is trading with margin. Most brokerages offer margin facility for retail clients, and why wouldn't they? These are high profit-generating avenues for their business! But margin combined with "dumb" trading is deadly enough to deplete the entire networth of an average Indian.

Investing, on the other hand, is more akin to being an owner in a business, albeit a passive one. Here, daily fluctuation of prices is not a matter of concern. In fact, true investors ignore price compeletely. If you are an investor you would care what value the business creates in the future. Important things to consider as a stock investor is return on equity, cash flows, EPS(Earnings per share), debt levels, etc.

When the grand chore of finding a great stock is taken care of, an investor could now turn his attention to the holding period. To reap full benefits holding period should be three years at the minimum. Five years is a good time frame by most standards. Companies plan capex(capital expenditure) for multi-year into the future and the results are unlikely to show in the balance sheet after a few quarters.

Coming back to trading again, one ought to have the patience to learn the tricks of the trade. One of the most basic tools used in trading is the candlestick.

Price of a stock is plotted on a graph and the price movement forms a candle. One could also use Bolinger bands, Money flow Indicator(MFI), Relative Strength Index(RSI) etc. among others. Trading requires pure math and not luck.

One important thing, there are advanced software that the ordinary investor has no access to and armed with "simple" mathematical tools he is no match against those machines. This is where the common man stumbles. Still, this business of determining the direction of the price of a security thrills like no other! People pay in lots to stock tippers hoping to make a decent return. More often than not, the tipper earns more by selling his tip than the trader by buying the tipper's stock pick!

And with this, we now come to the heart of the topic: trading or investing?

For newbies on Dalal Street investing makes more sense. With investing the odds of making a loss diminishes considerably. Granted, it requires time! So, do businesses to deliver shareholder value. As stated at the beginning stock performance has no work here; company performance is the ultimate test of a winner.

Some rules to follow in investing:

1 . Take more time studying the company than its stock price: This is an effective rule to screen out junks from occupying a place in the portfolio. Even if a stock has gone up 20% in the last two weeks does not indicate it is a good investment.

2. Invest in bits: Don't spend your entire capital at one go. Invest in parts and book profits in parts over the course of market cycle.

3. Diversification is no good: Well, not as good as it is made out to be. The problem with diversification for the retail investor is lack of buying power.

One great stock is enough than a handful of laggards. Find the absolute best, the very best of the best!

Even if diversification needs done it should not be more than three stocks. Find the best three stocks for your investments requirements.

4. No timing the markets: Reward comes to those who remain invested the most time not those who time the markets. Why let chance play a role with your future?

Market Outlook by LNS.

For the month ending November 2017 the markets ended in the red with 1. 01 % fall in the Nifty and 0.95% fall in the Sensex. Still, the BSE Sensex reached an all time high of 33731.1 9 in the month of November itself.

The year to date(YTD) returns for the NIfty are still impressive at 27.38%.Over a hundred stocks have hit their 52-week high.

The 200 day moving average of 9679.81 suggests there is strong support at 10,000 levels. In the weeks ahead markets should bounce back. Analysts predict 9700/9800 levels for the Nifty in the coming days. We believe that is too much of a pessimistic view!

Macro-economic Data:

For the July-September quarter the GDP growth was 6.3%(up from 5.7% for the 1st quarter of 2017-18.) It is worth noting that the first quarter figure was a three-year low. The manufacturing sector registered a superb growth of 7% as compared with 1.2% in the previous quarter.

Fiscal deficit rose to 91.3% in the April-September of the budgeted target for 2017-18 as compared to 83.9% for the same period during FY2016-17. Fiscal Deficit occurs when the government's expenditure is higher than its revenues. Fiscal Deficit is expressed as a percentage of GDP(Gross Domestic Product). Ideally, Fiscal Deficit should be 3%. India has set a Fiscal Deficit target of 3.5% of GDP.

Stock markets are a reflection of a nation's economy though they certainly move ahead of the economy in general. Market participants buy or sell shares in anticipation of the future.

Stock Recos: A choice of three by Sunny

Finding bargains in the market when it has already run up a lot is a tough thing to do. Investors feel especially wary of getting into stocks that have appreciated above 60% in a given year. There is no reason why the shares of a company cannot continue to rise. If earnings support, price is not a factor at all!

The focus should be on the long-term trend: it needs to be upward-biased and buyers should enter as the stock journeys its way up. Minor dips should be added too, so long as the fundamentals remain strong.

While not buying at the moment could mean a missed opportunity, we have presented here three stocks that despite putting up a stellar year to date(YTD) performance still have potential for further upside.

NOCIL LIMITED

1. **NOCIL Ltd.**: Incorporated in 1976, National Organic Chemical Industries(NOCIL) is a leading manufacturer of rubber chemicals. Part of the Arvind Mafatlal Group NOCIL caters to a wide customer base both in India and abroad. They also happen to be the largest rubber chemical manufacturer in India.

Company Profile: NOCIL's products include brands like PILFLEX Antidegradants, PILNOX Antioxidants, PILCURE Accelerators, Post Vulcanization Stabiliser and PILGARD Pre Vulcanized Inhibitor.

Their first plant was in Navi Mumbai and to meet market demands the company set up a new manufacturing facility at Dahej in Gujarat in 2012. This facility is fully automotaed through PLC/DCS controls to ensure quality, consistency, safety and reliability.

Why it is worth buying: A midcap comapny with market cap of 2800 crore it has performed well in the last few years. From an annual revenue of 5961.4 crore in the year ending March 2014 to 7422.1 crore in March 2017 it has grown healthily. The real magic lies in the reduction of debt from 2014 through 2017 that improved the margins considerably. Net profit grew from 236.20 crore in 2014 to 1201 crore in 2017. EPS(Earnings per Share) for last three years has grown at a CAGR(Compound Annual Growth Rate) of 71.54%.

Trading at a PE multiple of 23 it is a decent buy at current levels.

2. **Mangalam Drugs**: This company is into manufacturing of Active Pharmaceutical Ingredients(APIs) since 1977. One of India's largest manufacturer of anti-malarial API, they are now getting into API for antiretroviral drugs(anti- AIDS).

Company profile: Mangalam Drugs has a multi-product production facility on two locations in VAPI-Gujarat. It also possesses an in-house Research and Development Centre. Its plant has got WHO-GENEVA GMP Certification and EDQM approval. The company further boasts of being ISO 9001:2008 Certified by DNV for design, development, manufacture and supply of API and Intermediates.

Why it is worth-buying: Mangalam Drugs was a loss-making entity till FY 2014. Over the last few years management has been able to bring it on the track to profitability. For the FY ending March 2017, revenue was 3126.37 crore against 2951.60 crore over the previous year. For the same period net profit rose a whopping 47.8%!

Pharma sector is not in trend right now with a multitude of issues troubling the frontline names. Still this microcap company "Mangalam Drugs" makes a strong case for itself. At the moment they don't have FDA(Food and Drug Administration)related complications. Mangalam Drugs are into expansion mode with new product category which should help improve the top line figures in the quarters to come.

The stock has been consolidating in 140-170 range for over a year. We recommend it a BUY once it closes above 180 levels with good volumes. It can go so much higher from there.

INVEST WELL!

3. **Venky's**: Venkateshwara Hatcheries Pvt. Ltd. or Venky's, as it is popularly known, was established in 1976 in Pune. Initially, the company produced layer and broiler chicks and over the decades and years diversified into broiler and layer breeding, genetic research and poultry diseases diagnostic, poultry vaccines and feed supplements, nutritional health products and others.

Company profile: The company is headquartered in Pune and has global offices in London, Switzerland, South Africa, Brazil, Singapore, Indonesia, etc. Venky's exports its products to 42 countries. In December 2010, it launched a fast food chicken specialty restaurant "Venky's Xprs". The company has business interests in sports too, having acquired English Premier League football club Blackburn Rover FC.

Why it is worth buying: The company has delivered a high return on equity consistently over the period it has operated in. In the last three years revenue has grown at a CAGR of 12.56%. Some amount of debt is present but the financials show management is able to increase revenue through use of financial leverage.

In the YTD performance figures, the stock has rallied 552.10%! This sounds too much but it still trades at a PE multiple of 24 only. Looking at the pace of growth this is still a bargain at current levels!