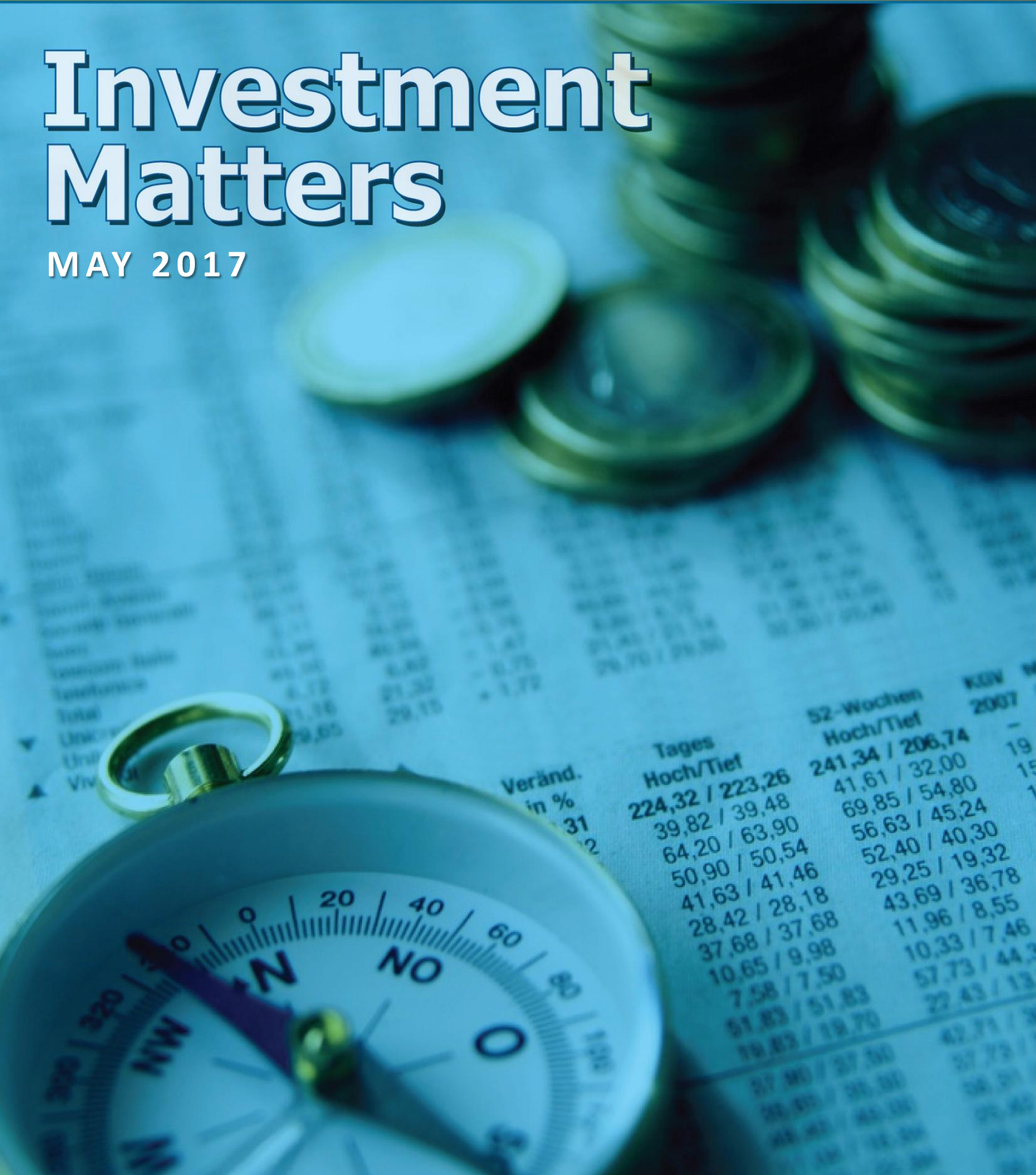


# Investment Matters

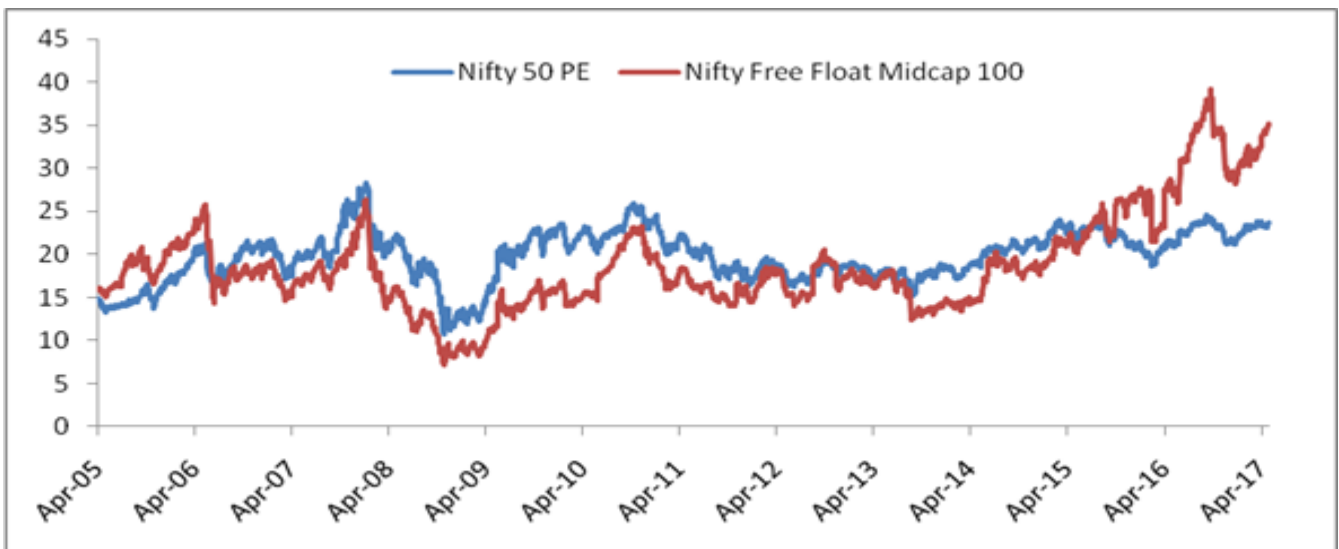
MAY 2017



## EQUITY OUTLOOK

FY17 turned out to be a strong financial year for equity markets – both global and local. Nifty delivered an 18.5% return while the broader index BSE 500 continued to outperform Nifty and delivered a return of 24%. Interestingly, none of the global markets had a negative year in FY17, with most delivering returns in a band of 12%-30% with India ranking as 5<sup>th</sup> best performing market among the top 20 markets globally. FY18 continues to be on the same path, with April up by another 1.4% for the Nifty and 2.7% for the BSE 500.

Nifty valuations currently stand at 15X FY19E, with profit growth estimated at 16%+ CAGR over the next 2 years (Source – Kotak Securities). FY18 will see the implementation of GST, which is likely to impact earnings for consumer facing businesses adversely for the short term on account of inventory adjustment and pricing. This, in turn, implies that there is a high probability of earnings downgrades in EPS estimates for FY18 – However EPS CAGR for 2-3 years will still remain strong due to the low base created this year. Valuations for the Nifty, on an aggregate basis, look reasonable - hovering somewhere around long period averages, however, CNX Mid Cap Index on the other hand continues to move higher – outperforming the large cap index by a wide margin - this strong performance for the mid cap index has taken its valuations gap to close to all time highs of 1160 bps, with trailing 12 month absolute valuation at 35X. The market is basically implying a very high 30%+ CAGR profit growth for the mid cap index constituents over the next 3 years. In our opinion, earnings growth for many mid cap companies are likely to improve but sustainability of this high growth over the next 3+ years is not a given and therein lies the risk for investors. While we are optimistic on the market outlook over the next 3 years, it makes sense to be cautious and selective while investing in the markets – one needs to bet on the right management teams with sound business strategy to grow profitably with free cash positive.



Our investment philosophy of “Growth at reasonable price” has stood the test of time – we complete 15 years on May 8, 2017 of successfully managing clients capital with a 26%+ CAGR performance. We would like to thank all our investors for showing patience and faith in our capabilities to manage part of their wealth and would look forward to continue to deliver better performance for many such 15 year periods in future.

**Chandraprakash Padiyar**

**Portfolio Manager**  
**Alchemy Capital Management Pvt. Ltd**

## DISCLAIMER

### **General Risk factors**

All investment products attract various kinds of risks. Please read the relevant Disclosure Document/ Investment Agreement carefully before investing.

### **General Disclaimers**

The information and opinions contained in this report/ presentation have been obtained from sources believed to be reliable, but no representation or warranty, express or implied, is made that such information is accurate or complete.

Information and opinions contained in the report/ presentation are disseminated for the information of authorized recipients only, and are not to be relied upon as advisory or authoritative or taken in substitution for the exercise of due diligence and judgement by any recipient.

The information and opinions are not, and should not be construed as, an offer or solicitation to buy or sell any securities or make any investments.

Nothing contained herein, including past performance, shall constitute any representation or warranty as to future performance.

The services related to Mutual funds, Insurance, Real Estate, Art, Commodity etc. may merely be a referral / advisory services in nature. Such third party investment products or services do attract the general and specific risk factors unique to those respective products or services, which would be mentioned by the manufactures of those products in the respective product documentation. The prospective investors in such third party products are advised to read and understand those risk factors & disclaimers, in addition to what has been stated herein. Alchemy Capital Management Pvt. Ltd., its Group or affiliates have not verified and do not take any responsibility for any statements, numbers or claims made, omitted to be made or implied in any documentation, presentations etc. which have been created by the manufacturers of such third party products or services.

The client is solely responsible for consulting his/her/its own independent advisors as to the legal, tax, accounting and related matters concerning investments and nothing in this document or in any communication shall constitutes such advice.

The client is expected to understand the risk factors associated with investment & act on the information solely on his/her/its own risk. As a condition for providing this information, the client agrees that Alchemy Capital Management Pvt. Ltd., its Group or affiliates makes no representation and shall have no liability in any way arising to them or any other entity for any loss or damage, direct or indirect, arising from the use of this information.

This document and its contents are proprietary information of Alchemy Capital Management Pvt. Ltd and may not be reproduced or otherwise disseminated in whole or in part without the written consent.

Edited by:- Naman Dhamija (Ph: +91-22-66171773)

Alchemy Capital Management Pvt. Ltd., B-4, Amerchand Mansion, 16 Madame Cama Road, Mumbai 400 001. Ph: +91-22-66171700  
CIN- U67120MH1999PTC119811, Email ID: contactus@alchemycapital.com