

Managing Portfolio
&
Trading
in a
Bear Market

By CA S. P. Tulsian

Saturday, 28th April, 2018

Gandhidham

Where is the Bear Market?

- India is a secular growth story
 - ✓ to become the 3rd largest economy of the world by 2030
- **Stop taking micro view**

Some Macro Positives

- Fiscal Deficit under control
 - ✓ FY18-19 target of 3.3%
- Better GDP forecast for FY18-19
 - ✓ Back to 7%+ with estimates of 7.4% by RBI and IMF, 7.3% by World Bank and ADB
 - ✓ Expected higher than Q3FY18 growth of 7.2% & much more than revised FY18E projection of 6.6%
- IBC – A good move to settle NPAs
 - ✓ To expedite cleansing of PSU Bank books, straddled with gross NPAs of Rs. 7.8 lakh crore, as of 31-12-17

Some Macro Positives (Cont'd.)

- India now a global story
 - ✓ Remains most preferred pick among all Emerging Markets
- Rural focused economy
 - ✓ Both IMD and Skymet forecast normal monsoon for 2018, at 97% and 100%, benefiting India's agrarian eco structure
 - ✓ Greater agri support: MSP = 150% of cultivation cost
- Infrastructure spending
 - ✓ FY18-19 Budgetary allocation for infra at Rs. 5.97 lakh crore, up by Rs 1 lakh crore
 - ✓ Home, Health and Power

Stop Trading in Weakness

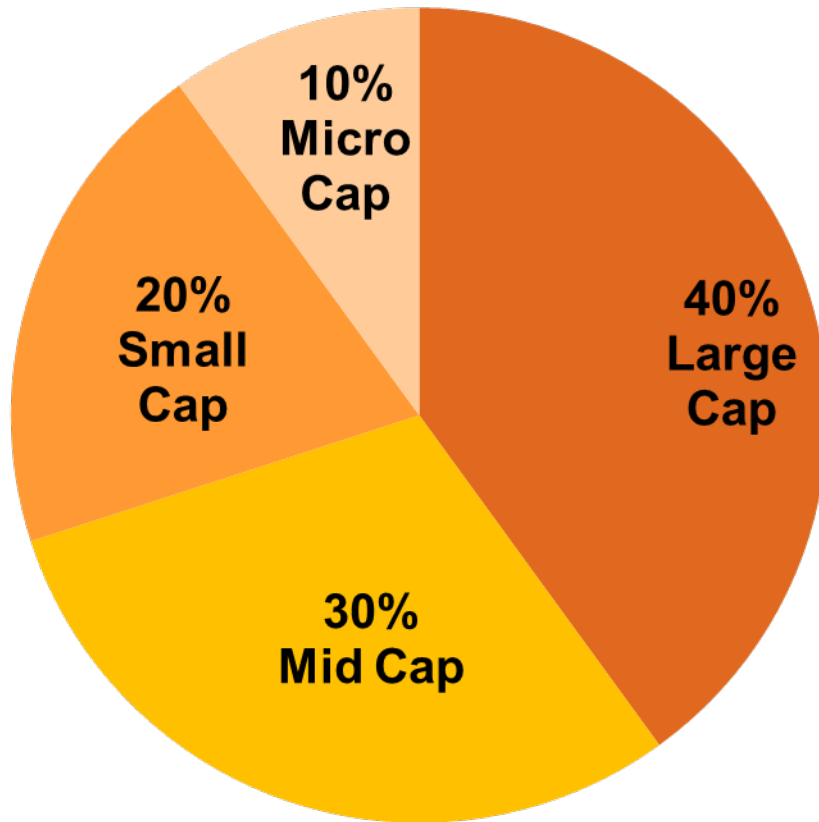
- 90% traders are Bull
 - To go short, one needs a different mindset
 - Shorting can only give money in a weak market
- Always, look for 2% gain as traders
- **Never** extrapolate the trend, which is done, by and large, by technical analysts, which traders follow

How to Manage One's Portfolio?

Some Thumb Rules

1. Diverse Portfolio
 - Across Sectors
 - Mid & Small Caps 'a MUST'
2. Restrict portfolio to a maximum of 24 stocks
3. Use every fall to build on quality stocks
4. Profit booking is the 'Mantra to Success'
 - Keep long term view on not over 10 stocks

Portfolio Allocation



Definition	Mcap (Rs. crore)
Large Cap	> 25,000
Mid Cap	6,000-25,000
Small Cap	2,500-6,000
Micro Cap	Upto 2,500

Stock Selection Criteria

3 Ps

- Promoter
- Project
- Prospects

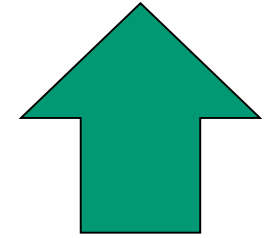
Other Criteria

Time Horizon

- 10 year growth horizon for Large caps
- 5 year growth horizon for Mid caps
- 2 year growth horizon for Small caps
- 1 year view for Micro caps and event based themes

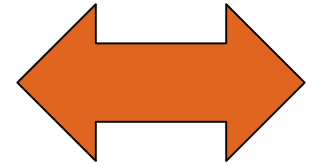
Our Views

Sectors with Positive View



- Automobile – PV, CV, 2 Wheeler, Tractor
- Auto Ancillaries (excluding Tyre)
- Steel
- Cement
- Financials – HFC, NBFC, Banks
- FMCG
- Infrastructure
- Industrials

Sectors with Neutral View



- IT
- Tyres
- Textiles
- Pharmaceuticals

Target

	FY19	FY20
Sensex	39,000	47,000
Nifty	12,000	14,500

Assumption: NDA coming back to power in 2019 general elections.

Thank You!