

SMALL CAP-MID CAP PICKS

NEW SEBI REGULATION

SEBI released a circular prescribing the minimum allocations that multi-cap funds must make towards companies belonging to the large, mid and small-cap segments of the market. This is a follow-on to the mega circular on re-categorization & rationalization of mutual fund schemes in 2017. Fund houses are offered time till January 31, 2021 to rebalance portfolios in consonance with the guidelines. To ensure that a fund is true-to-label, SEBI has now mandated multi-cap schemes to invest a minimum of 25 per cent each in large, mid and small-cap stocks. This ensures that under no circumstances can a multi-cap fund have a skewed market-cap orientation, i.e., allocation above 50 per cent to any specific segment.

Along with the instructions on market-cap allocations, SEBI has also raised the minimum investment of such funds in equity/equity-oriented instruments to 75 per cent from the previous 65 per cent to ensure efficient and true-to-label capital deployment. The Securities Exchange Board of India shocked all institutional investors (on 11th Sep'20) by changing the definition of Multicap funds. As per the new SEBI guidelines, minimum 25% funds have to be allocated in each Large, Mid and Small cap category in a Multi-cap fund.

DETAILS:

Minimum investment in Equity & Equity related instruments - 75% of total assets in the following manner:

Minimum investment in equity & equity related instruments of large cap companies - 25% of total assets

Minimum investment in equity & equity related instruments of mid cap companies- 25% of total assets

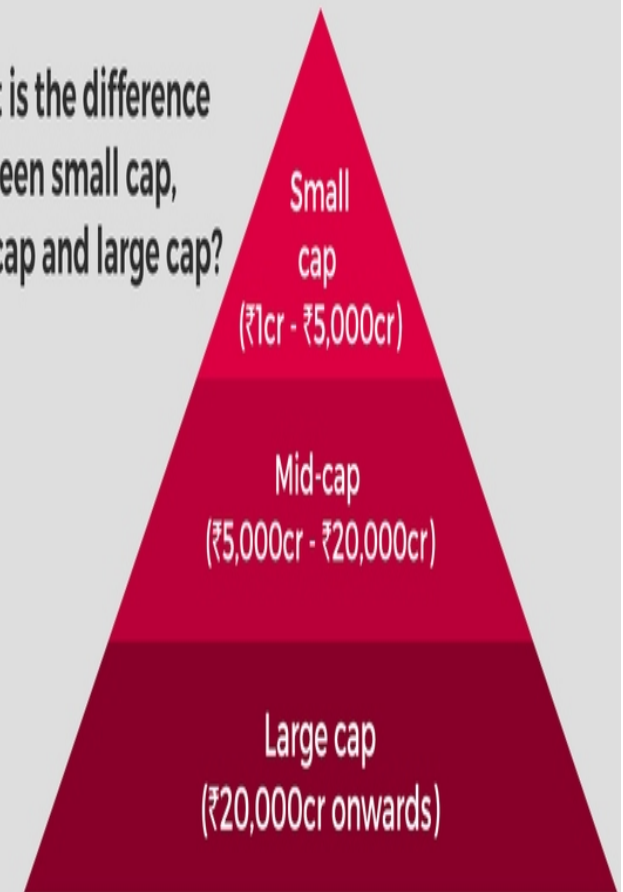
Minimum investment in equity & equity related instruments of small cap companies - 25% of total assets

All the existing Multi Cap Funds shall ensure compliance with the above provisions within one month from the date of publishing the next list of stocks by AMFI, i.e. January 2021.

IMPLICATIONS:

Size of Average AUM in Multicap Funds as on 31st Aug was 1.46 Lakh crore. While, the Industry average Multi-cap holding stands at: Large/Mid/Small Cap-74/17/9%. As per our calculations, there will be an outflow of 34000cr in the large caps. On the other hand, the mid caps and small caps will see an influx of capital of Rs13000cr & Rs28000cr respectively. The category manages Rs 1.46 lakh crore worth of assets, of which Rs 8,700 crore (6 per cent) is parked in small-cap stocks and Rs 24,000 crore (16 per cent) in mid-caps. So, clearly, the category is heavily skewed towards large-cap stocks and is nowhere close to what SEBI suggests as a true-to-label construct. Fund managers may have to churn almost Rs 30,000 crores from large-cap holdings to small-caps and ~Rs 13,000 crores from large-cap shares to mid-cap stocks.

What is the difference between small cap, mid cap and large cap?



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PORTFOLIO -

MID CAP AND SMALL CAP PORTFOLIO						
SCRIP	TRADING RANGE	AVERAGE ON DIPS	TGT 1	TGT2	TGT3	TIME
M&M FINANCIAL	130-125	80-85	170	225	275	<1 YEAR
SUNDARAM FINANCE	1350-1345	1240-20	1420	1510	1622	<1 YEAR
SPECIALITY	33-32	20-21	44	58	71	<1 YEAR
RAYMOND	280-275	220-210	350	415	495	<1 YEAR
HIMATSINGKA SEIDE	85-84	65-66	98	120	145	<1 YEAR
MAH SEAMLESS	240-238	180-175	285	335	370	<1 YEAR
KSB	520-515	440-435	575	635	710	<1 YEAR
ENGINEERS INDIA	65-63	45-3	80	95	118	<1 YEAR
ARVIND FASHION	130-128	90-95	165	195	235	<1 YEAR
INDOSTAR CAPITAL FINANCE	280-275	190-195	330	385	448	<1 YEAR
CERA SANITARYWARE	2480-2490	2200-2170	2590	2780	3030	<1 YEAR
BAJAJ CONSUMER	180-177	100-105	225	278	355	<1 YEAR
DOLLAR INDUSTRIES	142-140	90-85	180	232	285	<1 YEAR
RAJESH EXPORTS	450-445	360-365	525	602	755	<1 YEAR
FORTIS HEALTH	130-128	80-85	165	198	235	<1 YEAR
CARBORUNDUM UNIVERSAL	275-270	190-185	325	375	442	<1 YEAR
FINOLEX CABLES	285-282	200-195	360	410	465	<1 YEAR
HEG	765-760	680-685	850	975	1100	<1 YEAR

METHODOLOGY:

The Portfolio adopts a quantitative and qualitative approach based on fact based to portfolio selection. The Portfolio is based on combination with an understanding of individual stocks Beta and other technical indicators i.e MACD & RSI to determine a suitable target. The portfolio is designed for Short term purely on technically charts. Hence on regular intervals profit booking is necessary.

Note: As above stocks are purely selected on the basis of technical Analysis , it may be possible that fundamentals of some stocks are not in line as per standard mode of acceptance. Hence only Risky traders with short term duration (less than 1 year) will accumulate these stocks at prescribed levels. Moreover all above stocks are currently corrected from their highs and right now trading their nearby support levels. Market conditions may worsen at any point of time as Indo-China tensions seems to be rising every day however we believe conditions will improve from next 2- 3month. . therefore any escalations from corona virus or any other geo-political tensions may seriously dampens these investor sentiments however any correction near to 10800-600 could be used as an opportunity to go long.

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Data Source : ACE Equity

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