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FUTURE FOCUS

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“..It is a great opportunity to get access to the long term Investors' investment book with a research capsule, buy/hold/sell real time guidance, and get a return of 20%-60% in 6-12 months - this is the unique offer Surrogate Investor brings ”

Technical Analysis - Relative Strength Index ! (Part 11)

DIGITIAN VIEW!

MARKET WATCH

This is a series on technical analysis (TA) of stocks - how it helps to enter into a long term position in stock. It will also cover the very important aspect of exit from the stock at the right time.

We discussed Relative Strength Index (RSI) based on statistical analyses of market data in November 2024 newsletter. We shall further deliberate on this very crucial technical indicator:

What does RSI tell you?

The main trend of Share or an asset is an important tool to ensure correct understanding of indicator readings. For example, noted market technologist **Constance Brown** notes that in an uptrend the Relative Standard Index (RSI) can be well above 30% oversold, while in a downtrend the RSI can be well below 70% but as **Overbought**.

This implies that it does not necessarily mean that **RSI curve reaching 70** does not always represent "**over- bought**" situation - it depends on the share price curve trend of the company. If the share price curve made an upward trajectory that means Bullish trend is continuing and in that case RSI can remain between 70 and 100 for a long time or it can follow below 70 as the share price takes a breather and the Price Curve falls but within the same bullish trend and again can go over 70 and hover between 70 and 99 and this can happen multiple times. **Here lies the complexity and qualitative judgment part for the Investor there is no straight answer.**

If you panic and sell when it is above 70 thinking it is now in **over sold position** and the price will now fall, then share price may with a little correction can continue to make its upward journey and RSI can again cross 70 and go towards 99. So If investors already sold

| Equity Indices | Monthly Close | Monthly Change % | 2025% | 2024% |
|---------------------|---------------|------------------|-------|-------|
| S & P | 5954.5 | 0.0% | 1.2% | 24.0% |
| Nasdaq | 18747 | -4.5% | -2.9% | 30.8% |
| FTSE 100 | 8810 | 1.6% | 7.8% | 9.1% |
| Shanghai Compsite | 3321 | 0.0% | -0.9% | 13.4% |
| NIFTY | 22124 | -5.9% | -6.9% | 10.1% |
| Nairobi SE 20 | 2227 | 3.0% | 10.7% | 33.3% |
| Egypt SE 30 | 30853 | 2.8% | 3.7% | 16.8% |
| Tanzania All Shares | 2219 | 0.0% | 3.7% | 2.3% |
| Nigeria SE 30 | 4004 | 3.4% | 5.0% | 34.3% |
| Morocco All Shares | 16724 | 2.9% | 13.2% | 21.7% |
| Bangladesh DSE 30 | 1906 | 0.1% | -1.8% | -7.3% |

| Commodity | Monthly Close | Monthly Change % | 2025% | 2024% |
|-----------|---------------|------------------|-------|--------|
| Gold | 2862 | 0.6% | 8.5% | 27.4% |
| Crude Oil | 72.81 | -5.1% | 1.5% | -4.8% |
| WTI Oil | 69.76 | -4.1% | -6.3% | 5.9% |
| Copper | 4.57 | 6.0% | 13.6% | 4.0% |
| Iron Ore | 106.9 | 5.2% | 3.2% | -24.0% |
| Aluminium | 2608 | 0.5% | 2.0% | 10.5% |

If investors already sold the position, then he did a great blunder and could not ride the bull waive.

In a **downtrend** reaching 30 does not imply that the **stock is in oversold position**. RSI can fall upto 0 or oscillates between 0-30 or can grow above 30 and again fall back to 30 and below. **So determining the right time to purchase is also difficult**. Investor may think that once it crosses 30 it will reach 70 or above and start purchasing the stock but the price may again correct and RSI dips to 30 and below and stayed side ways below 30 for long time creating **resultant loss for the Investors**.

RSI Difference Example

Bullish divergence occurs when the RSI produces an oversold reading, **followed by higher lows** that match the corresponding **lower lows** in price. This suggests that **rising bullish momentum** and a breakout of oversold territory can be used to trigger a new rally on long positions. and a breakout of oversold territory can be used to trigger a new rally on long positions.

A **bearish divergence** occurs when the RSI creates an **overbought index**, followed by **lower highs** that match corresponding **higher price highs**.

RSI Swing Suppression Example

Another trading tip is to **check how the RSI behaves when it reappears from overbought or oversold areas**. This signal is called a **bullish "volatility suppression"** and has four components:

- 1.RSI is in the oversold zone.
2. The relative strength index rebounds to above 30%.
3. The RSI fell again, but did not return to the oversold zone.
4. The RSI then broke above its recent highs.



Like divergence, the **Volatility Suppression Signal** also has a **bearish version** with four parts:

1. RSI rises to overbought territory.
2. RSI is back below 70%.
- 3.RSI reached a new high and did not return to the overbought area.
4. The RSI then broke above its recent lows.

This chart shows a **bearish volatility suppression signal**.



As with most trading techniques, a signal will be most reliable **when it is consistent with a long-term trend**. Bear signals in a downtrend are **less likely to generate false positives**. **As with any indicator, nothing is 100% in the markets**. So **Investors need to apply their qualitative data points before deciding an action**

COUNTRY DATA

| Countries | GDP (USD Bn) | Market Cap (USD Bn) | GDP Growth 2024p % | Inflation 2024p % |
|------------|--------------|---------------------|--------------------|-------------------|
| USA | 29297 | 62204 | 1.8% | 3.00% |
| China | 18530 | 11513 | 4.6% | 1.66% |
| India | 3940 | 5140 | 6.5% | 4.8% |
| Egypt | 361 | 44 | 4.0% | 21.19% |
| Kenya | 1094 | 15.9 | 5.2% | 5.5% |
| Tanzania | 89.04 | 7 | 6.0% | 3.1% |
| Morocco | 151 | 64 | 3.6% | 2.30% |
| Nigeria | 390 | 36 | 4.25% | 19.0% |
| Bangladesh | 355 | 114 | 4.1% | 9.90% |

| Forex | Monthly Close | Monthly Change % | 2025% | 2024% |
|--------------|---------------|------------------|-------|--------|
| EUR USD | 1.038 | 0.19% | 0.1% | -4.9% |
| GBP USD | 1.257 | 1.45% | 0.4% | -0.9% |
| USD INR | 87.47 | -1.07% | 2.0% | -3.0% |
| USD KES | 128.70 | 0.23% | -0.3% | 17.9% |
| USD EG POUND | 50.60 | -0.83% | -0.5% | -64.4% |
| USD TZS | 2569.00 | -1.52% | 5.1% | 2.8% |
| USD NAIRA | 1498.00 | -1.20% | -2.7% | -73.7% |
| USD TAKA | 121.00 | 0.74% | 1.3% | -8.6% |



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Debashish



Saugata

| Recommendation by | Name of the Company | Date of Purchase | Entry Price | Actual Gain Published in Dec 2023 | Actual Gain Published in July 2024 | Actual Gain Published in Dec 2024 |
|----------------------|------------------------|---------------------|----------------|---|--|--|
| Debashish | NGL Fine Chem | 13-Mar-20 | 302 | 631% | 730% | 581% |
| Debashish | Tata Elxsi | 27-Apr-20 | 790 | 1024% | 831% | 841% |
| Debashish | RACL Geartech | 4-Aug-20 | 65 | 1817% | 1805% | 1298% |
| Debashish | Arman Financial | 8-Feb-17 | 243 | 952% | 840% | 475% |
| Saugata | Shivalik Bimetal | 5-Feb-21 | 69 | 770% | 901% | 809% |
| Saugata | Newgen Software | 7-Apr-20 | 116 | 1279% | 898% | 1374% |
| Saugata | Indian Bank | 11-Jan-21 | 87 | 422% | 586% | 595% |
| Saugata | Glenmark Pharma | 31-Jan-23 | 371 | Not in Top 4 | Not in Top 4 | 347% |

Trident sold (Saugata)

Still **Missed it ?**

Surrogate Investor gains 40%+ p.a



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VALUE INVESTING

Debashish Neogi

“A 100x Multi bagger will be generally in the small cap, sector agnostic, multiplies in a short time span but may be over 10 years, - a right to win is a must but you require a megatrend as tail wind”

How to find a Good SME Company? Krishca Strapping

Debashish recently wrote in his X.com handle about his selection process of SME portfolio. So as Editor of this newsletter I thought it is better to share the same:

1. Finding a good SME company is like finding” a Needle in a Haystack” as there are approx. 800 listed SME companies as per screener. So I used screener to filter the best ones in this correction phase of the market.

2. I excluded all loss making companies. While profit can be fudged but cash flow cannot be. Hence I took last 3 years cash flow divided by this years PAT, if this is a negative number I have excluded those companies (NOT saying at all that ALL negative ones are bad companies or fudged).

3. Sustainable ROE is key for value creation for shareholders in long run, hence have taken last 3 years ROE and last year ROE as 20% pa as threshold for my FINAL LIST .

4. So on quantitative factors these companies are ONE OF THE BEST ones ,doing well in SME space.

5. Some key findings :

a. The list now reduces to only 12% companies (around 90only)

b. Their current average PE is 27 and forward average PE is only 15 (current qtr multiplied by 12 /market cap) where as share price drop from all Time High PE of 46!

c. Average sales growth CAGR for last 3 years and 1 year is mind boggling 56 % &39%

d. Average profit growth for last 3 years and 1 year is jaw dropping 136 % & 88%

e. The BEST indicator as per me ROE for 3 years is whopping average of 37% and 39% last year trading at trailing average PE of 27 !!

6. No one should invest basis quantitative factor but invest keeping in mind qualitative factors specially Promoter quality and COMPETITIVE EDGE of the respective business

7. Sales growth is a leading indicator for value creation in future along with pricing power (read OPM)

8. Hence I further filtered basis yearly sales growth & operating margin of minimum 15% and the list now is less than 5% of entire SME universe (only 38 companies)

Anyway Debashish showcased **Krishca Strapping (Number 18** of the list of 38) where he has invetsed for long term. He has given qualitative basis of the following points

Promoter :

1. In my over 2 decades of investing career haven't seen such young and dynamic promoter (only 33 years of age).

2. His skill set lies in professionalizing the company with complete delegation yet manages through people skills and on ground knowledge and review.

3. This is reflected in employees' review on glassdoor and ambition box review of 4.5-4.9 on a scale of 5 which is very high .

Competitive edge :

1. Core strategy is strapping ,now extending the core .

2. Moving up the value chain – From Straps to Packing Contracts - which provides higher wallet share and margins

In SME space the companies which I hold and like is Hi green Carbon, Krishca Strapping and Ducol for long term. But Higreen and Ducol didnt make to my 5% sme list (only 38 companies out of 800 odd companies) as I made the criterion selection very strict .

Editor: With a CAUTION you must consider his mention of two companies - Hi Green and Ducol . (Do your own investment analysis) I shared to show that all investments made not basis Screener. Because all the filter used by Debashish are all for 3 years performance so these are well established SMEs and other two companies may be going to be such company in future so return chances are higher. This I call **Investment dichotomy**.

| Sr. No | Name | PE | OPM | Yearly | 3 YEARS | 3 YEARS | Year |
|--------|----------------------|-------|------|--------------|--------------|---------|-------|
| | GOOD TO GREAT LIST ? | | | Sales growth | Sales growth | ROE | ROE |
| 1 | Apex Ecotech | 16.0 | 16.8 | 53.5 | 65.5 | 44.4 | 60.4 |
| 2 | Arvind Port & | 13.1 | 78.5 | 20.8 | 240.0 | 31.3 | 28.5 |
| 3 | Beacon | 23.2 | 37.6 | 34.1 | 55.2 | 35.2 | 31.1 |
| 4 | Beta Drugs Ltd | 40.0 | 19.7 | 30.8 | 36.6 | 28.0 | 26.0 |
| 5 | Blue Pebble | 18.8 | 18.1 | 38.6 | 73.7 | 75.3 | 75.1 |
| 6 | Concord Control | 43.7 | 27.0 | 58.5 | 55.2 | 50.0 | 60.3 |
| 7 | Danish Power | 37.5 | 16.8 | 76.4 | 41.3 | 38.2 | 60.2 |
| 8 | Enfuse | 37.5 | 25.0 | 52.7 | 32.3 | 38.6 | 27.6 |
| 9 | Enser | 25.6 | 18.7 | 104.9 | 70.9 | 35.9 | 34.7 |
| 10 | Envirotech | 15.6 | 34.7 | 65.0 | 68.6 | 68.6 | 87.2 |
| 11 | Fidel Softech | 22.1 | 18.6 | 35.1 | 16.0 | 22.3 | 17.0 |
| 12 | Foce India | 41.3 | 24.4 | 115.1 | 1.4 | 26.6 | 28.2 |
| 13 | Holmarc Opto | 40.1 | 15.5 | 19.5 | 29.2 | 22.7 | 19.4 |
| 14 | Infollion Resea. | 37.5 | 19.3 | 38.2 | 48.1 | 32.3 | 29.5 |
| 15 | Jeena Sikho | 48.4 | 28.2 | 38.7 | 33.7 | 41.4 | 42.7 |
| 16 | Kesar India | 70.9 | 32.0 | 129.4 | 256.7 | 39.9 | 41.6 |
| 17 | Kontor Space | 17.6 | 28.8 | 55.6 | 49.4 | 24.9 | 14.6 |
| 18 | Krishca Strapp. | 23.0 | 17.4 | 45.3 | 123.5 | 76.5 | 52.9 |
| 19 | Nephro Care | 82.2 | 18.1 | 59.3 | 146.4 | 59.5 | 49.1 |
| 20 | Network People | 64.1 | 33.8 | 81.3 | 102.6 | 42.8 | 63.7 |
| 21 | Nisus Finance | 36.2 | 81.5 | 272.8 | 96.1 | 77.9 | 109.9 |
| 22 | Olatech Solution | 21.9 | 34.9 | 68.1 | 40.5 | 44.1 | 51.4 |
| 23 | Oriana Power Ltd | 22.7 | 21.3 | 184.2 | 125.2 | 58.5 | 61.0 |
| 24 | OSEL Devices | 22.2 | 16.1 | 61.4 | 32.1 | 56.5 | 69.4 |
| 25 | Purple United | 25.1 | 22.7 | 66.5 | 40.9 | 33.5 | 34.8 |
| 26 | Qualitek Labs | 59.7 | 23.4 | 59.3 | 66.3 | 30.1 | 20.4 |
| 27 | RMC Switchgears | 33.0 | 17.7 | 22.8 | 67.6 | 24.2 | 30.8 |
| 28 | Shri Techtex | 12.4 | 29.6 | 34.2 | 24.6 | 28.6 | 21.5 |
| 29 | Silicon Rental | 15.7 | 46.6 | 119.2 | 66.3 | 32.5 | 22.6 |
| 30 | Sodhani Academy | 121.5 | 68.3 | 48.6 | 139.1 | 28.8 | 18.9 |
| 31 | Sona Machinery | 11.7 | 15.0 | 17.8 | 151.2 | 44.8 | 27.3 |
| 32 | Storage Tech | 15.0 | 15.6 | 22.8 | 21.6 | 28.9 | 69.8 |
| 33 | Teerth | 19.0 | 21.3 | 178.7 | 31.5 | 49.9 | 84.1 |
| 34 | Travels | 18.1 | 57.8 | 32.8 | 55.6 | 23.7 | 26.8 |
| 35 | Urban Enviro | 12.2 | 19.1 | 81.6 | 86.8 | 51.5 | 51.7 |
| 36 | Winsol | 18.3 | 18.7 | 34.9 | 50.3 | 68.0 | 67.1 |
| 37 | Yash Highvoltage | 37.1 | 18.6 | 20.1 | 42.6 | 37.3 | 32.4 |
| 38 | Z-Tech | 54.4 | 22.5 | 161.6 | 42.1 | 30.0 | 48.9 |
| | Average | 34.9 | 27.0 | 72.3 | 67.6 | 42.1 | 45.1 |

Krishca Strapping (Continued)

- 3. New client addition → Potential clients invested in preferential round and providing industry support
- 4. Krishca Strapping is the only lead-free steel strapping producer. And also, their production is the only fully automated production line.

Valuation :

- 1. Krishca have been under promising 20-25% growth but delivering above 30/35% top line & bottom line growth on annualized basis .
- 2. I feel this may continue for 5 years .I did a reverse DCF using tijorifinance and find that at current valuation (with expectation of 25% share cagr growth)market is factoring only bottom line growth of 22% ,hence I fell its undervalued –lets see the futute !!

Happy Investing !!

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After the success of Surrogate Investor for small and medium value investors We have introduced **SURROGATE INVESTMENT Platinum**

Surrogate Investment **Platinum** is for High Value Clients who does not have time to monitor their Investment and they are only interested in the return in their portfolio.

Why it is a success:

- **Skin in the game:** the fund managers picked up these shares and invested in themselves basis proprietary Research
- **Time to market :** They are keeping daily watch on the stock/market behaviour and that of the global trend
- **Regular Profit booking :** They make profit and you make too in the medium to long term
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- **Tax Advantage:** Since it is in your own account, you can take advantage of Long term and short gain without paying double taxation
- **Full control of your Investment Fund:** you control the bank account linked to the trading account so there is ZERO RISK and no TRUST DEFICIT.
- **ZERO FEES or UPFRONT PAYMENT :** only transfer to Digitian Capital after you earned an upside (only on realisation) All control is in your hand
- **A separate Digital Account with Digitian Capital :** This will track trading results for easy reference.

What is the structure of **SURROGATE INVESTMENT Platinum** ?

- **Minimum Investment Requirement :** USD 500,000 or INR 3 crores
- **Markets :** INDIA & USA
- **Open a dedicated Brokerage Account with any Large banking Brokerage**
- **Minimum Investment : 12 months for each stock**
- **Allow Digitian Capital processors to Buy and sell shares in your account**
- **Quarterly Review of Investment performance and upside payment to Digitian Capital**



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