

Globe Capital Portfolio Management Services

“Globe Arbitrage Strategy”

A strategy with the primary objective of generating sustainable returns with the help of Special Situation Arbitrage



Overview - Globe Capital

Globe is a leading financial services group committed to help clients achieve their goals. A wide range of services and a diversified client base is an outcome of Globe's expertise in guiding clients through the financial markets.

Globe has a large network of offices in India and overseas through a subsidiary in Dubai. They offer diverse services including Markets Intermediation, Portfolio Management Services (PMS), Securities Lending and Borrowing Services and International Broking, etc.

Globe Capital Market accounts for a substantial share of NSE clearing volumes in the derivative segments. They are also acting as professional clearing members for a large number of broking entities in the country.

PMS Team

Mr. Ankit Agarwal

Director – Globe Capital Group of Companies
& Head- Globe Wealth & PMS

Mr. Ankit Agarwal is a Chartered Accountant and a CFA by qualification. He is in-charge of the overall Fund Management Division at Globe Capital including Portfolio Management Services, Investment Research, Institutional Investment Advisory and FII Advisory. He also heads the proprietary investment arbitrage division at Globe.

Under his leadership in 2021 Globe PMS became the top performing fund in the 5 year CAGR category. He has a special acumen for value investing and identifying multibagger companies with good quality management. He has a great understanding and in-depth knowledge of Indian Capital Markets, Macro and Micro economic factors driving the economy. He also has expertise in special situation arbitrage and use of derivatives to make use of various opportunities in the market. Under the guidance of Mr. Agarwal, Globe has been a pioneer in special situation arbitrage for more than a decade now. He has initiated many investor education initiatives at various national forums for greater financial inclusion among the youth of this country.

Mr. Parashuram Prasad Fund Manager, PMS

Mr. Parashuram Prasad has over 15 years of experience in fundamental equity research and fund management in Indian capital market, with over 13 years with Globe PMS. He holds an MBA (Finance) and a Bachelor's degree in Chemistry. He prefers a 'bottom up strategy' while picking stocks. He has a strong Quantitative aptitude and has enhanced the team's strategic and tactical Asset Allocation decision making process.

He has a keen eye for picking stocks that have strong financials & earnings growth. He focuses on companies having businesses with robust competitive advantages in both terms quantitative & qualitative. He does not believe in theory of timing the market rather his philosophy is to invest in the right stock rather than wait for the right time.

PMS Team

Mr. Anuj Jain
Head, Special Situation Arbitrage – PMS

He has an experience of over 10 years in fund management with different institutions.

He has done B.Com(H) from Hansraj College, Delhi University and MBA in Finance from Amity Business School.

His expertise lies in identifying & analyzing various corporate actions & special events in the market which could qualify as an arbitrage on long term and short term basis : like – Open Offers, Delisting & Mergers / Demergers.

In one of his previous assignments, he worked with Escorts Mutual Fund as Fund Manager (Fixed Income and Special Situations).

Mr. Mitin Mohan
Sr. Research Analyst – Equity & Special Situation

Mr. Mitin is a senior research analyst with Globe covering both Fundamental research and Special Situation research.

His expertise lies in identifying various beneficial corporate actions in the market which could be arbitrage opportunities.

He has been with Globe PMS for almost a decade and is a CFA Level 3 candidate.

PMS Team

Mr. Himanshu Gupta
VP - Research

Mr. Himanshu Gupta is a Research Professional with 15 years of experience across financial markets. He is a qualified Chartered Financial Analyst (ICFAI), holds a Master's degree in Commerce and a final level candidate of CFTe USA .

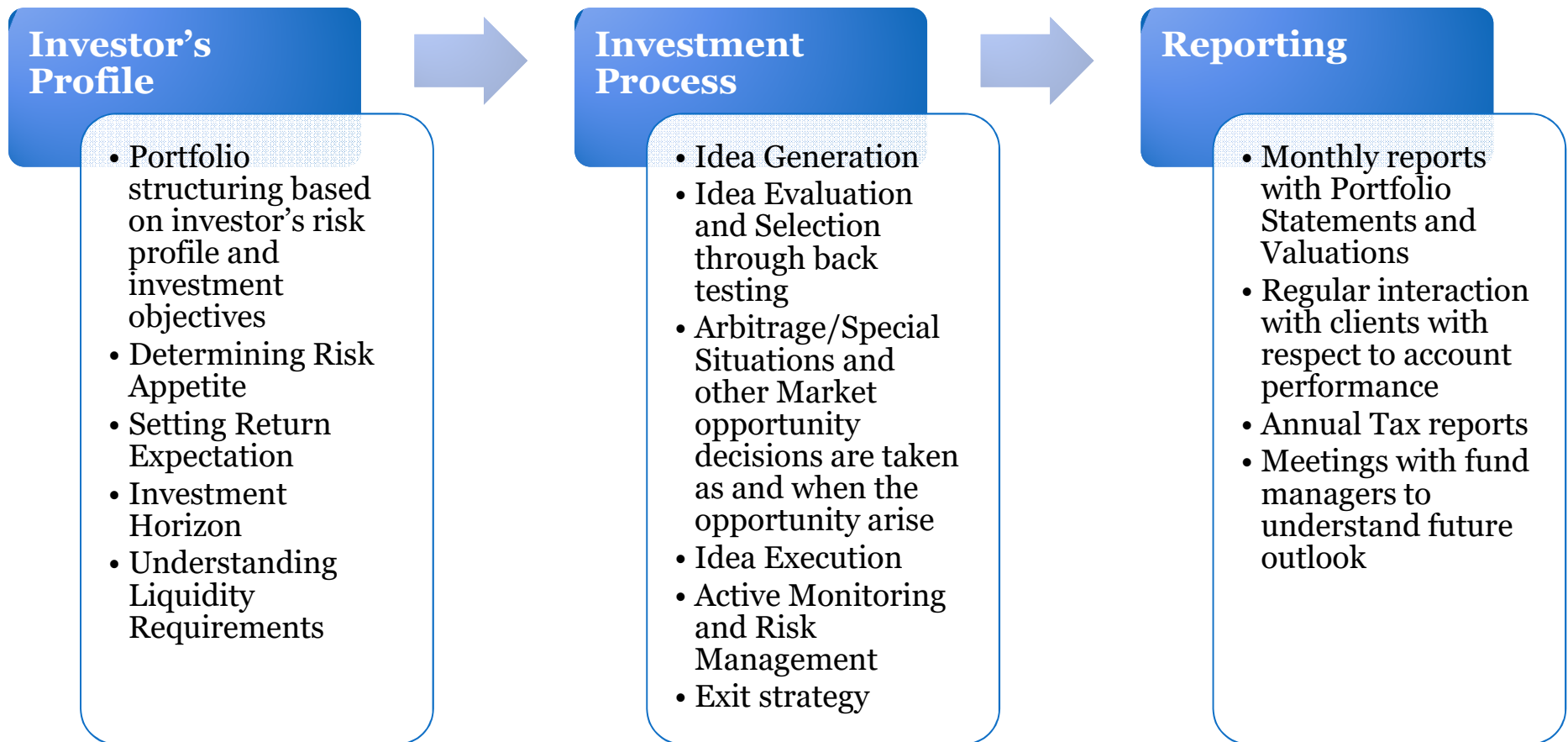
Mr. Gupta has been regularly doing media representation for all leading business channels in India like CNBC TV 18, ET NOW, Zee Business, CNBC AWAAZ and Bloomberg Quint on their popular shows. His articles and views are very popular in publications like Moneycontrol.com, Business Standard, Economic times and financial chronicle.

Mr. Gaurav Sharma
AVP – Equity Research

Mr. Gaurav Sharma, who is working in our organization at the capacity of Assistant Vice President & Head, Technical & Derivatives Research, tracking Equity Markets.

Gaurav has over 11 years experience in Financial Markets. He is a Post Graduate in Finance. He has expertise in identifying the trend of the overall market i.e. Nifty index as well as sectors and stocks. He is also a regular speaker at various investors' meets / webinars organized from time to time by our organization

Fund Management Process





Strategy Objective

Globe Arbitrage Strategy aims at investing in low risk strategies based on arbitrage opportunities.

It also aims at investing in various special situations in the market, based on corporate events and actions, which offer unique opportunities to earn an additional return without having to take on additional risk.

The strategy would make use of equity and derivatives to augment returns in a relatively lower risk manner and to hedge against abnormal markets movements.

Investment Approach

Principle Protection

Fixed Deposits

Liquid Fund

Other Debt Instruments



Sustainable Return Generation

Cash – Future
Arbitrage

Merger – Demerger
Arbitrage

Dividend Arbitrage

Buy and Hold -
Equity

Use of derivatives



Special Situations for Alpha Generation

Buybacks

Delisting

Open Offer

Offer For Sale

Illustrative Arbitrage Strategies

Globe excels and has an enviable track record in generating relatively safer returns through special arbitrage strategies. It aims at generating returns by exploiting market inefficiencies and other low risk opportunities by using strategies such as Cash Future Arbitrage, Box Trading, Conversion Reversal, Covered Calls / Puts, Pair Trading, and derives benefit from event arbitrage involving mergers & acquisitions, Open Offers, Takeover, delisting, Offer for Sale (OFS), FPO and other special situations.



Special Situation Investing

- Special Situation aims at generating returns by exploiting market inefficiencies and other low risk opportunities by using various strategies such as Cash Future Arbitrage, Covered Calls/Puts, Pair Trading and tries to benefit from event arbitrage involving merger & acquisitions, Open Offers, takeover, de-listing and other special situations.
- Focus is mainly on those companies transforming their capital structure, organization or taking place of an event as opposed to focus on operations.
- Uncorrelated returns - tend to be less correlated to the market.
- Less vulnerable to Interest Rates - Special situations often depend on an event that is between 6 months and 1 year i.e. relatively near term, thus not as vulnerable with Interest rate movements.

Open Offer

- It is aimed at providing the shareholders an exit option, as there may be a management change post-acquisition and investors may or may not like to continue with the change in management.

Example :

1. Open offer in Escorts Ltd. By Kubota Corp @ INR 2000/- from the Public shareholders whereas the market price was INR 1800/- (So one could tender the shares @ 2000 in open offer and sell the rest in the market or can hedge with future also)
2. Open offer in Vedanta Ltd by Vedanta Plc @ INR 235/- when the market price was INR 225 /- and there was 100% acceptance ratio.


Merger & Demerger

- Merger : Merger arbitrage is a subset of event-driven investing or trading, which involves exploiting market inefficiencies. It focuses on the probability of the deal being approved and how long it will take to finalize the deal. Since there is a probability the deal may not be approved, merger arbitrage carries some risk.

Example : Merger of Shriram City Union Finance with Shriram Transport (100 shares of Shriram City will be converted into 155 shares of Shriram Transport after demerger – so one can buy Shriram City in cash and sell SRTF future)

- Demerger : De-merger is a valuable strategy for companies that want to refocus on their most profitable units, reduce risk and create greater shareholder value.


Example : Demerger of two different businesses of NMDC Ltd to create separate entities i.e NMDC (parent) along with NMDC Steel (Demerger Ratio 1:1)

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- ❑ **Dividend Arbitrage** : It is intended to create a risk-free profit by hedging the downside of a dividend-paying stock while waiting for upcoming dividends to be issued.

Example : REC, PFC , NALCO and other PSU Stocks

- ❑ **Delisting** : It is a process wherein the promoter group of a listed company opts to buyout the minority shareholders stake and delist the company from the bourses.

Example : Hexaware Tech delisting at INR 475/- through reverse book building vs Floor Price of INR 265/- and market price of INR 450/-

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- ❑ **BuyBack** : It is a special situation arbitrage opportunities that companies offer to investors. The offer/exit price in such offers is usually at a substantial premium to the prevailing market price.

Example : Infosys, TCS, Wipro , HCL Tech etc.

- ❑ **Rights Issue** : A rights issue is an offering of rights to the existing shareholders of a company that gives them an opportunity to buy additional shares directly from the company at a discounted price

Example : Bharti Airtel recently completed its Rights issue when market price was INR 350 /- and Rights Issue price was INR 220/-

- ❑ **Offer for Sale (OFS)** : It is a method of share sale through the exchange platform for listed companies.

Example : ONGC Ltd's OFS at a floor price of INR 159 /- vs closing rate of INR 163.90 /-, the discovered price was INR 159.91 /-



Points of Contact

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