

## Week Gone by

- ⇒ Tata Steel rose 1.34%. Fitch Ratings affirmed the steel maker's long-term issuer default rating (IDR) at 'BB'.
- ⇒ Larsen & Toubro announced that its power business arm has bagged a mega engineering, procurement and construction (EPC) order from SJVN Thermal to set up a 2x660 MW ultra-super critical power plant in Buxar district, Bihar
- ⇒ The markets regulator Securities and Exchange Board of India (Sebi) on Thursday tightened the disclosure around pledged shares. The regulator has said any promoter whose pledging exceeds 20% of the shareholding or 50% of the promoter shareholding will have to cite reasons for pledging shares
- ⇒ On the economic data front, the Commerce Department issued its final revision of first quarter GDP growth and said the U.S. economy grew at a solid rate of 3.1% in the first quarter, but consumer spending and business investments grew at a slower pace than in the earlier estimates.

## Week ahead

- ⇒ The Union Budget will be presented by Finance Minister Nirmala Sitharaman on Friday, 5 July 2019. After presenting the interim budget in February 2019, the Modi government will present its full-year budget 2019-20
- ⇒ The outcome of the G20 meeting, progress of monsoon, trend in global markets, the movement of rupee against the dollar and crude oil price movement will dictate market trend.
- ⇒ The Organization of the Petroleum Exporting Countries (OPEC) and some non-members including Russia, will hold meetings on July 1-2 in Vienna to decide whether to extend their supply cuts.
- ⇒ In China, Caixin Manufacturing PMI the month of June 2019 will be announced on Monday, 1 July 2019. The Caixin China General Manufacturing PMI was unchanged at 50.2 in May 2019

## Technical Overview

Index closed with a gain of 0.55% at 11789. Index started the week on a flat note and remained volatile throughout the week. Index has managed to hold the support of 11630 levels which is 50% retracement level of its previous advance from 11103 to 12103. However the immediate support is placed at 11730-11680 and while on the higher side resistance is placed at 11850-11900-11960.

1-Nifty 50 - 28/06/19



Source: Falcon, BP Equities Research



## Weekly Wealth

## DOMESTIC INDICES

Index	28-Jun-19	21-Jun-19	Weekly % Chg
Nifty	11,789	11,823	-0.3
Nifty Next 50	27,333	27,093	0.9
Nifty 100	11,882	11,899	-0.1
Nifty 500	9,658	9,670	-0.1
Nifty Midcap 100	17,654	17,565	0.5
Sensex	39,395	39,452	-0.1
BSE 100 Index	11,910	11,921	-0.1
BSE 200 Index	4,927	4,927	0.0
BSE 500 Index	15,292	15,305	-0.1
BSE Mid-Cap	14,808	14,721	0.6
BSE Small Cap	14,239	14,366	-0.9

## WORLD INDICES

Index	28-Jun-19	21-Jun-19	Weekly % Chg
Nikkei Index	21,276	21,244	0.2
Hang Sang Index	28,543	28,474	0.2
Kospi Index	2,131	2,126	0.2
Shanghai SE Composite	2,979	3,002	-0.8
Strait Times Index	3,322	3,321	0.0
Dow Jones	26,527	26,753	-0.8
NASDAQ	7,968	8,051	-1.0
FTSE	7,418	7,432	-0.2

## FOREX

Currency	28-Jun-19	21-Jun-19	Weekly % Chg
US\$ (Rs.)	69.0	69.8	-1.1
GBP (Rs.)	87.6	88.2	-0.7
Euro (Rs.)	78.6	78.5	0.1
Yen (Rs.) 100 Units	64.1	64.4	-0.5

## NIFTY TOP GAINERS (WEEKLY)

Scrip	28-Jun-19	21-Jun-19	Weekly % Chg
UPL	937.5	890.1	5.3
NTPC	141.4	134.6	5.1
Axis Bank Ltd.	808.6	771.1	4.9
Hindalco	207.1	197.7	4.8
Sun Pharma.	401.0	382.8	4.7

## NIFTY TOP LOSERS (WEEKLY)

Scrip	28-Jun-19	21-Jun-19	Weekly % Chg
Tech Mahindra	706.6	740.5	-4.6
Bharti Infratel	267.1	275.4	-3.0
Britannia Ind.	2,743.7	2,826.7	-2.9
Eicher Motors	19,138.8	19,719.2	-2.9
IndusInd Bank	1,410.5	1,448.7	-2.6

## FII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
28-Jun-19	5,175.4	5,689.3	-513.9
27-Jun-19	6,970.7	6,971.4	-0.7
26-Jun-19	4,267.3	4,161.1	106.3
25-Jun-19	4,896.3	3,738.4	1,157.9
24-Jun-19	3,385.4	3,178.1	207.3
MTD	4921.3	5337.4	-416.1

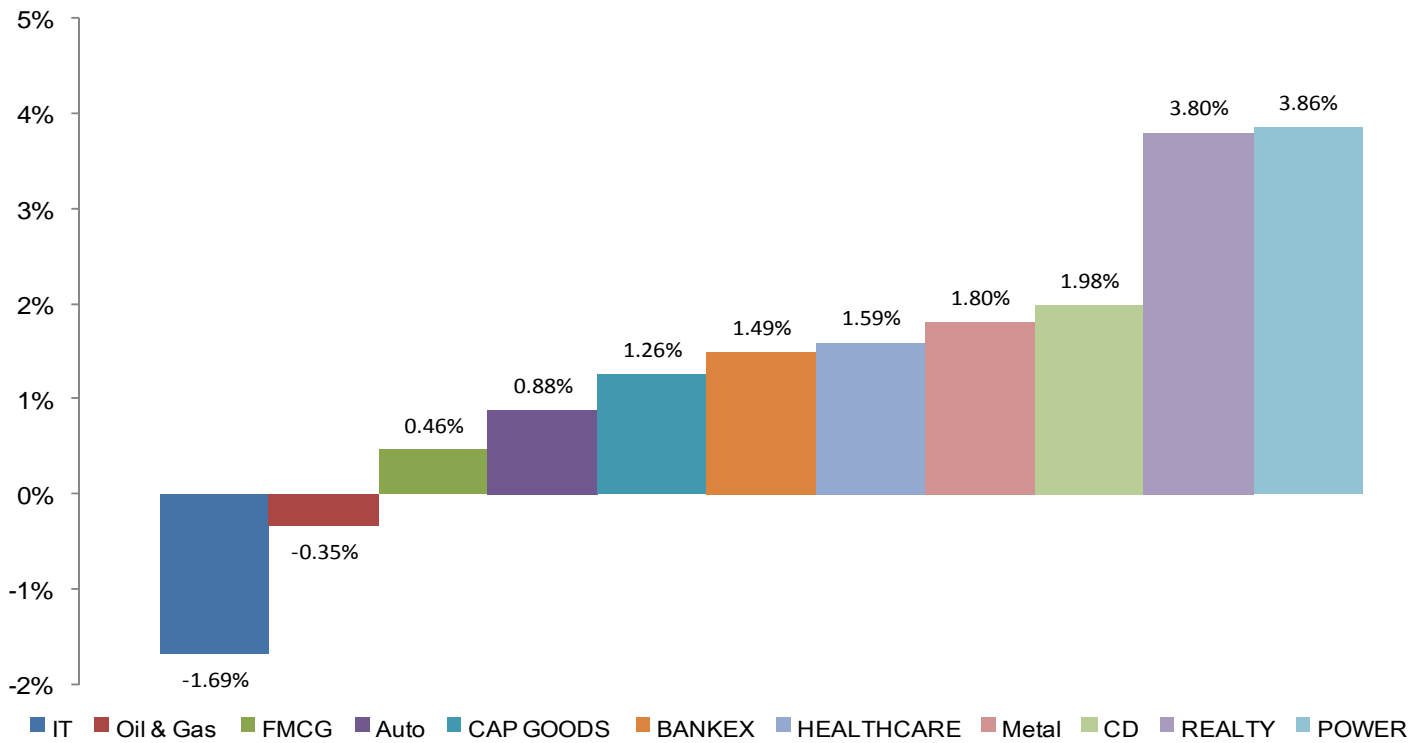
## DII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
28-Jun-19	3,052.4	2,870.0	182.4
27-Jun-19	6,974.8	6,778.3	196.6
26-Jun-19	3,267.7	3,319.2	-51.5
25-Jun-19	3,154.5	2,777.3	377.2
24-Jun-19	3,141.5	2,157.1	984.4
MTD	2338.9	2694.3	-355.4

## Weekly Wealth

## BSE WEEKLY SECTORAL PERFORMANCE



(Source: BSE, BP Equities Research)

## TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	28-Jun-19	21-Jun-19	Weekly Change (%)	28-Jun-19	21-Jun-19	Weekly Change (%)
	Share Price (Rs.)			Open Interest		
TORNTPOWER	281	244.6	14.9	8,008,000	5,433,000	47.4
ADANIPOWER	51.6	47.8	8.1	11,772,000	8,400,000	40.1
UNIONBANK	81.6	75.8	7.7	3,817,000	2,821,500	35.3
RECLTD	166.1	155.1	7.1	3,636,000	2,913,000	24.8
TATAPOWER	69.6	65.4	6.3	24,299,037	20,215,860	20.2

## TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	28-Jun-19	21-Jun-19	Weekly Change (%)	28-Jun-19	21-Jun-19	Weekly Change (%)
	Share Price (Rs.)			Open Interest		
RELCAPITAL	56.5	65.1	-13.2	11,55,500	4,401,500	-73.7
GLENMARK	446.9	500.7	-10.7	7,71,000	13,64,250	-43.5
DHFL	62.7	69.7	-10.1	84,72,000	1,46,22,000	-42.1
MINDTREE	863.7	960.2	-10.1	62,75,500	99,89,700	-37.2
RELINFRA	51.8	56.5	-8.3	97,29,750	1,46,33,500	-33.5



## Weekly Wealth

## BULK DEALS

Date	Scrip Name	Client Name	Exchange	Deal Type	Qty	Trade Price
21.06.2019	Sobha	TNTBC AS THE TRUSTEE OF NOMURA INDIA STOCK MOTHER FUND	BSE	Buy	12,739,40	504.9
24.06.2019	Emami ltd	SUNTRACK COMMERCE PRIVATE LTD	BSE	Sell	91,00,000	272
25.06.2019	ICICI Lombard	RED BLOOM INVESTMENT LTD	NSE	Sell	1,43,29,658	1100
26.06.2019	Dhanuka Agritech	OCEAN DIAL GATEWAY TO INDIA MAURITIUS LTD	NSE	Sell	24,416	400
27.06.2019	Vishal Fabrics	VEENA INVESTMENTS PRIVATE LTD	BSE	Buy	3,30,000	340

(Source: NSE,BSE, BP Equities Research)



### **EPFO says it will stick to 8.65% rate for FY19**

The labour ministry and Employees Provident Fund Organisation (EPFO) are sticking to the 8.65% return proposed by the retirement savings body's board of trustees, citing adequate reserves and the Narendra Modi government's pre-poll political backing to the plan.

Here are some of the expectations of the common man that the government could consider in the upcoming budget:

The finance ministry has objected to the proposal for increasing the payout for 2018-19 to 8.65% from 8.55% in the previous year, and sought a review. The objection comes at a time when banks have been refusing to lower lending rates pointing to the high cost of funds, which in turn is linked to their inability to pare deposit rates. Banks have argued that small savings schemes such as public provident fund and EPFO offer higher interest rates and a reduction in deposit rates will impact their fund-raising ability.

While the finance ministry has been pointing to a falling rate regime, it's a different matter that it either didn't see the need to lower rates on PPF and other small savings schemes ahead of the budget despite RBI signalling a bias towards a softer rate regime.

Although many in EPFO saw the finance ministry response as "routine", they pointed out that there was little merit in some of the arguments. For instance, sources said, EPFO will be left with a surplus of over Rs 150 crore despite the higher payout. In addition, they said that the impact of the falling rates on the fund's earnings had already been factored in since the financial year was over, while ruling out any move to go back on the plan. Even labour unions, whose representatives sit on the EPFO board as trustees, are unwilling to settle for a reversal of the decision. Sources said that over the next few days the labour ministry will formally respond to the finance ministry's objections. Besides, they said, a reversal at this stage will be a major embarrassment for the Modi government as the EPFO board chaired by labour minister Santosh Gangwar had endorsed the plan for an increase in interest rates.

(Source: Economic times)

## Non-Banking Finance Company

### Company Background

Equitas Holdings Ltd (EHL), incorporated in 2007 is a Chennai based company, engaged in providing financial services to individuals, micro and small enterprises, low income group as well as economically weaker individuals. Company operates its business through its wholly owned subsidiaries namely Equitas Microfinance (microfinance lending), Equitas housing finance offers affordable housing finance and micro housing loans) and Equitas finance (vehicle and MSME lending) and Equitas Technology Pvt Ltd provides technology platform for freight, logistics, carriers and related services. The company also offers loans to subsidiaries and corporate guarantees for the borrowings from banks and institutions.

### Investment Rationale

#### Strong growth in AUM backed by MFI and Vehicle portfolio

EHL has a diversified business portfolio which caters the need of lenders at a niche level through its subsidiaries. In FY19, AUM reported a healthy growth of 43.7% YoY and 9% QoQ to Rs 11834 crore. The growth was mainly driven by Microfinance loan segment (grew by 33% YoY and 3.9% QoQ) contributing 26% of the AUM, while vehicle finance grew by 30% YoY (contributing 25% to total AUM) mainly due to sharp increase in CV book. Going ahead, company has guided a 35-40% AUM growth in FY20E with a plan to increase the disbursement of high yielding products like MFI and Micro LAP.

#### Asset quality to witness improvement in Long run

In FY18-19, Company's overall Gross NPA declined by 2.52% from 3.13% QoQ while Net NPA came at 1.40% to 1.70% QoQ, while on segmental basis NPA in MSE, business loan & vehicle finance stood at 4.84%, 2.56% & 4.03% respectively, despite the company's policy of daily recognition of NPA and catering the demand of pyramid borrower segment. However, Collection efficiency of the overall bucket has increased from 97.6% to 98.34% QoQ. Hence, we expect an improvement in asset quality in coming quarters.

#### Focus on building strong liability franchise

EHL is one of the entity with a preliminary focus on bottom of borrower pyramid, by focusing on creation liability franchise. Although, company has adopted various measures such as product innovation, differential pricing, bundling of CASA with loan products like business loans and home loans and fun banking promise. This will enable to untapped new opportunities and cater the demand of mass and underserved low income group. Company is also building parallel liability franchise to its assets branches. Till now, company has rolled out 400 liabilities branches with an aim of taking it to 600 over the next two years.

### Valuation and Outlook

Equitas Holdings Limited (EHL) is a diversified lender in the underserved segments, which offers structural growth opportunities. Major focus on retail term deposit growth is expected to boost loan growth while its improving asset quality is set to upgrade rural cash flows. Going ahead, we expect a reduction in credit cost in long run as company caters in lower risk segment. Taking all the above into consideration we estimate NII and PAT to grow at a CAGR of 26% and 51% respectively over FY19 – FY21E. We have valued the stock by assigning 1.4x P/BV multiple to FY21E. We recommend investors can **BUY** the stock for target of INR.142 (upside of 18% from CMP).

### Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

### Sector Outlook

Positive

### Stock

CMP (INR)	120
Target Price (INR)	142

BSE code 539844

NSE Symbol EQUITAS

Bloomberg EQUITAS IN

Reuters EQUITAS.BO

### Key Data

Nifty 11788

52WeekH/L(INR) 163/78

O/s Shares (Mn) 341.5

Market Cap (INR bn) 40.9

Face Value (INR) 10

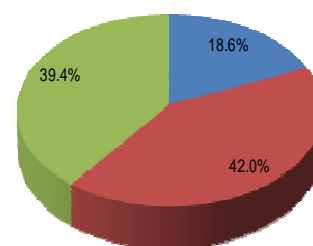
### Average volume

3 months 23,02,310

6 months 23,61,620

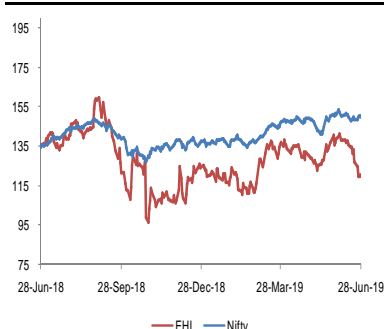
1 year 32,71,930

### Share Holding Pattern (%)



■ FI ■ DI ■ Others

### Relative Price Chart





## Weekly Wealth

Key Financials					
YE March (Rs. millions)	FY17	FY18	FY19	FY20E	FY21E
<b>NII</b>	<b>8,670</b>	<b>9,240</b>	<b>11,850</b>	<b>15,168</b>	<b>18,808</b>
<i>Growth (Y-o-Y)</i>	44.3%	6.6%	28.2%	28.0%	24.0%
<b>Operating profit</b>	<b>3,360</b>	<b>2,230</b>	<b>4,320</b>	<b>6,761</b>	<b>9,431</b>
<i>Growth (Y-o-Y)</i>	5.3%	(33.6%)	93.7%	56.5%	39.5%
<b>Net Profit</b>	<b>1,590</b>	<b>310</b>	<b>2,160</b>	<b>3,499</b>	<b>4,934</b>
<i>Net Profit Growth (Y-o-Y)</i>	(4.8%)	(80.5%)	596.8%	62.0%	41.0%
<b>Diluted EPS</b>	<b>4.7</b>	<b>0.9</b>	<b>6.3</b>	<b>10.2</b>	<b>14.4</b>
<i>Diluted EPS Growth (Y-o-Y)</i>	(4.8%)	(80.5%)	596.8%	62.0%	41.0%
Key Ratios					
<b>NIM (%)</b>	<b>9.2%</b>	<b>6.8%</b>	<b>7.4%</b>	<b>7.3%</b>	<b>7.1%</b>
<b>ROA (%)</b>	<b>1.7%</b>	<b>0.2%</b>	<b>1.3%</b>	<b>1.7%</b>	<b>1.9%</b>
<b>RoE (%)</b>	<b>7.1%</b>	<b>1.4%</b>	<b>9.0%</b>	<b>13.1%</b>	<b>15.9%</b>
Valuation Ratios					
<b>P/E (x)</b>	<b>25.8x</b>	<b>132.2x</b>	<b>19.0x</b>	<b>11.7x</b>	<b>8.3x</b>
<b>P/BV (x)</b>	<b>1.84</b>	<b>1.80</b>	<b>1.64</b>	<b>1.44</b>	<b>1.23</b>

(Source: Company, BP Equities Research)

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