

## Week Gone by

- ⇒ Among stocks, Reliance Industries (RIL) rose 1.09%. Consolidated net profit rose 18.35% to Rs 11262 crore
- ⇒ State Bank of India rose 4.24%. The bank's net profit rose 218.75% to Rs 3011.73 crore on a 9.37 increase in total income to Rs 72,850.78 crore in Q2 September 2019.
- ⇒ HCL Technologies advanced 3.49%. The company reported 19.4% rise in net income to Rs 2651 crore on 6.7% rise in revenue.
- ⇒ Bajaj Auto rose 1.42%. The company's consolidated profit after tax rose 22% to Rs 1,402 crore on a 4% decline in revenue from operations

## Week ahead

- ⇒ Among key results, ICICI Bank will declare its quarterly result on 26 October 2019.
- ⇒ Auto stocks will be in focus as auto companies will start announcing monthly sales numbers for October 2019 starting from 1 November 2019.
- ⇒ On the macro front, India's infrastructure output data for September will be unveiled after market hours on Thursday, 31 October 2019
- ⇒ The US Federal interest rate decision will be announced on 30 October 2019.

## Technical Overview

Index closed with a loss of 0.67% at 11584. Index opened this week on a flat note and remained volatile throughout the week. The strong upmove witnessed earlier has led to surpass above 61.8% retracement level of its previous fall from 12103 to 10637. Going ahead index has support in the range of 11520-11460, till the support range is protected index can continue its upwards move towards 11700-11780 levels. On the lower side, support past 11460 is placed at 11400-11340 levels.

1-Nifty 50 - 25/10/19



Source: Falcon, BP Equities Research



## Weekly Wealth

## DOMESTIC INDICES

Index	25-Oct-19	18-Oct-19	Weekly % Chg
Nifty	11,584	11,662	-0.7
Nifty Next 50	27,960	28,014	-0.2
Nifty 100	11,734	11,806	-0.6
Nifty 500	9,431	9,479	-0.5
Nifty Midcap 100	16,167	16,214	-0.3
Sensex	39,058	39,298	-0.6
BSE 100 Index	11,681	11,769	-0.7
BSE 200 Index	4,849	4,879	-0.6
BSE 500 Index	14,968	15,052	-0.6
BSE Mid-Cap	14,342	14,420	-0.5
BSE Small Cap	13,153	13,127	0.2

## WORLD INDICES

Index	25-Oct-19	18-Oct-19	Weekly % Chg
Nikkei Index	22,800	22,493	1.4
Hang Sang Index	26,667	26,720	-0.2
Kospi Index	2,088	2,061	1.3
Shanghai SE Composite	2,955	2,938	0.6
Strait Times Index	3,186	3,114	2.3
Dow Jones	26,806	26,770	0.1
NASDAQ	8,186	8,090	1.2
FTSE	7,290	7,151	1.9

## FOREX

Currency	25-Oct-19	18-Oct-19	Weekly % Chg
US\$ (Rs.)	70.9	71.1	-0.2
GBP (Rs.)	90.9	89.3	1.7
Euro (Rs.)	78.7	78.4	0.4
Yen (Rs.) 100 Units	65.3	65.6	-0.5

## NIFTY TOP GAINERS (WEEKLY)

Scrip	25-Oct-19	18-Oct-19	Weekly % Chg
ICICI Bank	469.1	437.8	7.2
Eicher Motors	21321.8	20275.9	5.2
SBI	281.6	269.7	4.4
Sun Pharma.	417.5	401.7	4.0
Cipla	459.9	444.2	3.5

## FII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
24-Oct-19	5885.49	5958.36	-72.87
23-Oct-19	5182.47	5395.70	-213.23
22-Oct-19	7878.60	8436.10	-557.50
MTD	86957.3	88342.2	-1384.8

## NIFTY TOP LOSERS (WEEKLY)

Scrip	25-Oct-19	18-Oct-19	Weekly % Chg
Indiabulls Housing F	186.2	231.2	-19.5
Bharti Infratel Ltd.	217.0	261.6	-17.1
Infosys	637.5	767.9	-17.0
Tata Motors Ltd.	126.9	136.9	-7.3
Adani Ports & Speci	399.0	421.7	-5.4

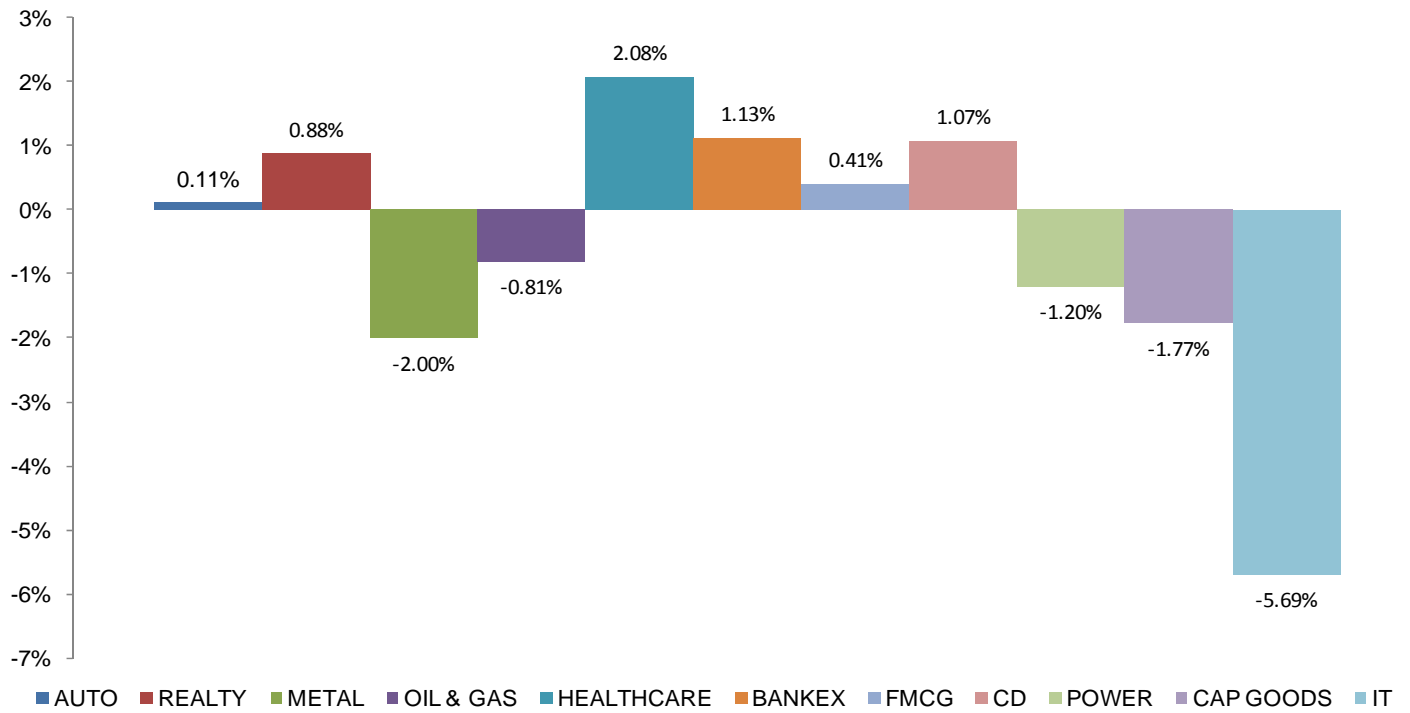
## DII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
24-Oct-19	3837.33	4576.08	-738.75
23-Oct-19	3961.03	4098.41	-137.38
22-Oct-19	5136.52	6121.99	-985.47
MTD	67916.4	62456.0	5460.

# Weekly Wealth

## BSE WEEKLY SECTORAL PERFORMANCE



Source: BSE, BP Equities Research

## BULK DEALS

Date	Scrip Name	Client Name	Exchange	Deal Type	Qty	Trade Price
18.10.2019	HDFC AMC	KKR INDIA DEBT OPPORTUNITIES	BSE	SELL	6,22,500	2690
22.10.2019	Indiabulls Housing	AQR Emerging Equities	NSE	SELL	40,14,808	233.9
24.10.2019	Varun Beverages	MARINA III Singapore PTE	NSE	SELL	15,56,000	630.02

(Source: NSE,BSE, BP Equities Research)

## Weekly Wealth

### How the proposed new Direct Tax Code could cut your income tax

When the corporate tax rate was reduced to 25 per cent last month, it was termed as an early Diwali for the corporate sector. Now, taxpayers are hoping the government will gift them a similar tax relief. According to former Niti Aayog Chairman Arvind Panagariya, "there is a strong case for a similar reform of personal income tax".

The Akhilesh Ranjan taskforce, set up to suggest an overhaul of the Income Tax Act, has also recommended sweeping changes in the tax slabs. It submitted its report on the new Direct Taxes Code to the government in August. However, the report has not been made public.

According to newsreports, the taskforce has retained the basic exemption level at Rs 2.5 lakh for general income taxpayers. For senior citizens (above 60 years) the basic exemption stays at Rs 3 lakh and for very senior citizens (above 80 years) it stays at Rs 5 lakh.

The big change is the widening of the income tax slabs. The 10% tax slab extends right up to Rs 10 lakh, which will bring a significant relief to a large chunk of taxpayers. According to the Central Board of Direct Taxes (CBDT), more than 27% of the 5.52 crore individual taxpayers who filed returns for 2017-18 had an income between Rs 5 lakh and Rs 10 lakh. If the recommendations of the task force are implemented, these 1.47 crore taxpayers would move from the 20% slab to the 10% slab.

#### **Bigger impact on higher income slabs**

The impact will not be very significant for low income taxpayers. Middle income earners with taxable income of up to Rs 5-6 lakh will not see a major change in their tax liability under the new slabs proposed by the DTC panel. However, they can escape the tax net by availing deductions that will take their net taxable income below the Rs 5 lakh tax-free threshold. The taskforce has retained the full tax rebate offered under Section 87A to taxpayers earning up to Rs 5 lakh a year.

#### **Annual taxable income Rs 6 lakh**

Even someone with a net taxable income of Rs 7 lakh a year would not get a significant break. He would see his tax reduce from Rs 44,200 to Rs 40,000, a drop of just 9.5%. However, the tax relief would be significant for taxpayers with higher incomes. A taxpayer with a net taxable income of Rs 10 lakh would see his tax reduce by about 34%, from Rs 1.06 lakh to Rs 70,000.

#### **Annual taxable income Rs 12 lakh**

The changes will be even more spectacular for taxpayers in the higher slabs. According to CBDT data, if the tax slabs are rejigged, another 40 lakh taxpayers would move from the 30% slab to the 20% slab. A taxpayer with a net taxable income of Rs 22 lakh would save Rs 1.7 lakh in tax every year. His tax outgo will reduce 36%, from Rs 4.75 lakh to Rs 3 lakh.

#### **Will the surcharge on tax go?**

There could be good news for the super rich as well. The taskforce has recommended that tax surcharges should be used only as temporary measures. When the then Finance Minister P. Chidambaram had introduced the 10% surcharge on income of over Rs 1 crore in 2013, it was meant to be a one-time measure. Indeed, Chidambaram had stressed that it was a temporary levy when he said in his budget speech that "I am confident that when I ask the relatively prosperous to bear a small burden for one year, just one year, they will do so cheerfully."

#### **Revenue collections will be hit**

Of course, the proposed changes in the income tax slabs will come at a heavy price. The generous cut in the corporate tax rate would mean an estimated revenue loss of about Rs 1.45 lakh crore to the exchequer. According to a Bank of America-Merrill Lynch report, the rejig of the income tax slabs would cost the exchequer another Rs 1.75 lakh crore. Of this, Rs 1 lakh crore would be borne by the Centre and Rs 75,000 crore by states.

If all goes well, taxpayers could have a bright and happy Diwali.

(Source: Economic Times)

## Finance

## Company Overview

IDFC First Bank is an entity formed by the merger of IDFC Bank (a scheduled commercial bank) and Capital first Limited (Non Banking Financial Services). The merger was finally came into existence on December 18, 2018. Currently, it has a network of 279 branches with a total fund asset of 1.12 lakh crore with 40% being retail assets.

## Investment Rationale

**Robust growth strategy would enable to improve retail business ,going ahead**

The merged entity has a renewed focus on the retail business, with the bank planning to grow the retail loan assets to Rs 1 lakh cr constituting 70% of the total loan mix and at the same time reducing their dependence/exposure to the Infrastructure sector by bringing the exposure to NIL in coming 5 years. The Retail Loan Book which stood at Rs. 48,069 crore, contributes 45% to the Gross Loan Book as of September 30, 2019, increasing from 13% pre-merger, in just three quarters since the merger. In the next 5 years, the bank also plans to set up 600-700 branches which would be suitably supported by the attractive product propositions and other associated services as well as cross - selling opportunities.

**Reduction in cost of funds led by improvement in CASA mix**

In Q2FY20, bank reported a CASA ratio of 18.70% from 8.68% as on December 31, 2018 at merger. During the quarter, the Bank gained strong momentum in raising CASA Deposits while reducing its dependency on wholesale deposits like Certificate of Deposits and Wholesale term Deposits. As a result of the CASA deposits increase, cost of funds for the bank reduced from 7.75% Q1FY20 to 7.71% Q2FY20. With the increasing share of CASA going ahead, the cost of funds is expected to see further benefits. Further, the bank strives to reach a CASA ratio of 30% within five years, and gradually take it to 40-50% after.

## Valuation and Outlook

IDFC First Bank 's strong management and its proven track record remains a key factor to look for, However, its Focus on retail loans, improving CASA and increasing efficiency will enable to augur healthy growth going forward. With improving return ratios, RoA is seen increasing to 0.4% and RoE to 4% by FY21E respectively. All these factors contribute towards our positive view towards the bank. We, therefore recommend a BUY on the bank assigning a P/BV multiple of 1.1x of FY21 book value implying a target price of INR 48.

## Stock Rating

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

## Sector Outlook

Positive

## Stock

CMP (INR)	40
Target Price (INR)	48
NSE Symbol	IDFCFIRSTB
Bloomberg	IDFCB IN
Reuters	IDFB.BO

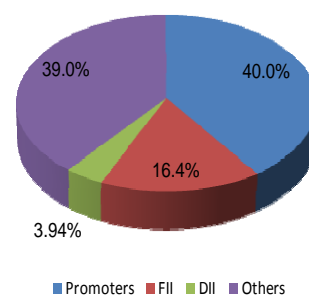
## Key Data

Nifty	11,584
52WeekH/L(INR)	56.9/33.0
O/s Shares (Mn)	4782.7
Market Cap (INR bn)	195.
Face Value (INR)	10

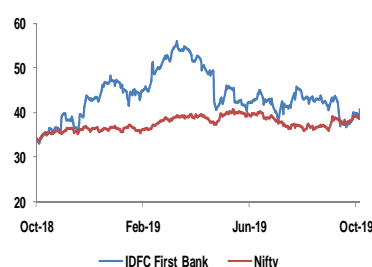
## Average volume

3 months	18,901,780
6 months	16,845,040
1 year	16,347,820

## Share Holding Pattern (%)



## Relative Price Chart



## Weekly Wealth

Key Financials					
YE March (Rs. mn)	FY17	FY18	FY19	FY20E	FY21E
<b>Net Interest Income</b>	<b>20,628</b>	<b>19,725</b>	<b>34,608</b>	<b>51,210</b>	<b>61,315</b>
<i>Revenue Growth (Y-o-Y)</i>	<i>143.0%</i>	<i>(4.4%)</i>	<i>75.5%</i>	<i>48.0%</i>	<i>19.7%</i>
<b>Pre-Provisioning Profits</b>	<b>17,498</b>	<b>12,955</b>	<b>7,742</b>	<b>12,620</b>	<b>23,100</b>
<i>Growth (Y-o-Y)</i>	<i>136.0%</i>	<i>(26.0%)</i>	<i>(40.2%)</i>	<i>63.0%</i>	<i>83.0%</i>
<b>Net Profit</b>	<b>10,627</b>	<b>9,555</b>	<b>(19,345)</b>	<b>(3,680)</b>	<b>8,010</b>
<i>Net Profit Growth (Y-o-Y)</i>	<i>128.0%</i>	<i>(10.1%)</i>	<i>(302.5%)</i>	<i>(81.0%)</i>	<i>(317.7%)</i>
<b>EPS</b>	<b>3.0</b>	<b>2.6</b>	<b>(4.8)</b>	<b>(0.8)</b>	<b>1.7</b>
<i>Diluted EPS Growth (Y-o-Y)</i>	<i>117.0%</i>	<i>(13.8%)</i>	<i>(285.7%)</i>	<i>(84.0%)</i>	<i>(320.9%)</i>
Key Ratios					
<b>EBIDTA (%)</b>	<b>1.8%</b>	<b>1.6%</b>	<b>2.1%</b>	<b>2.6%</b>	<b>2.8%</b>
<b>NPM (%)</b>	<b>0.9%</b>	<b>0.8%</b>	<b>-1.2%</b>	<b>-0.2%</b>	<b>0.4%</b>
<b>RoE (%)</b>	<b>7.2%</b>	<b>6.3%</b>	<b>-10.6%</b>	<b>-2.1%</b>	<b>4.4%</b>
<b>RoCE (%)</b>	<b>43.2</b>	<b>45.0</b>	<b>38.0</b>	<b>37.0</b>	<b>38.0</b>
Valuation Ratios					
<b>P/E (x)</b>	<b>13.7x</b>	<b>15.9x</b>	<b>-8.6x</b>	<b>-53.4x</b>	<b>24.1x</b>
<b>P/BV (x)</b>	<b>1.0x</b>	<b>0.9x</b>	<b>1.1x</b>	<b>1.1x</b>	<b>1.1x</b>

Source: Company, BP Equities Research



Research Desk

Tel: +91 22 61596406

Institutional Sales Desk

Tel: +91 22 61596403/04/05

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

We analysts and the authors of this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer (s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation (s) or view (s) in this report. Analysts aren't registered as research analysts by FINRA and might not be an associated person of the BP Equities Pvt. Ltd. (Institutional Equities).

**General Disclaimer**

This report has been prepared by the research department of BP EQUITIES Pvt. Ltd, is for information purposes only. This report is not construed as an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal.

BP EQUITIES Pvt. Ltd have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time. Prospective investors are cautioned that any forward looking statement are not predictions and are subject to change without prior notice.

Recipients of this material should rely on their own investigations and take their own professional advice. BP EQUITIES Pvt. Ltd or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. BP EQUITIES Pvt. Ltd. or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

BP EQUITIES Pvt. Ltd and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person in any locality, state and country or other jurisdiction where such distribution, publication or use would be contrary to the law or regulation or would subject to BP EQUITIES Pvt. Ltd or any of its affiliates to any registration or licensing requirement within such jurisdiction.

**Corporate Office:**

4th floor,  
Rustom Bldg,  
29, Veer Nariman Road, Fort,  
Mumbai-400001  
Phone- +91 22 6159 6464  
Fax-+91 22 6159 6160  
Website- [www.bpwealth.com](http://www.bpwealth.com)

**Registered Office:**

24/26, 1st Floor, Cama Building,  
Dalal street, Fort,  
Mumbai-400001  
  
BP Wealth Management Pvt. Ltd.  
CIN No: U67190MH2005PTC154591  
  
BP Equities Pvt. Ltd.  
CIN No: U67120MH1997PTC107392