

## Week Gone

- ⇒ The Economic Survey 2019-20 was tabled by Finance Minister Nirmala Sitharaman estimates Financial Year 2020-21 GDP growth at 6-6.5% while FY20 GDP growth is seen at 5%. Survey asked the government to deliver expeditiously on reforms.
- ⇒ Industrial growth in 2019-20 is estimated at 2.5%. The survey said that Apr-Nov indirect tax collections have been muted. FY21 is expected to pose challenges on fiscal front.
- ⇒ In US, the US Federal Reserve held its benchmark fed funds interest rate steady in a range between 1.5% and 1.75%, saying the economy remained on a moderate growth path.
- ⇒ Brexit is in focus with the U.K. set to leave the European Union on Friday, 31 January 2020 beginning a transitional period in which both sides work toward the ambitious target of agreeing a new free trade agreement this year.

## Week ahead

- ⇒ Eicher Motors, Hero MotoCorp and Sun Pharmaceutical Industries will announce quarterly results on Thursday, 6 February.
- ⇒ NTPC will announce its October-December 2019 quarterly result on Friday, 7 February
- ⇒ Overseas, the Caixin China Manufacturing PMI for January will be announced on 3 February
- ⇒ In United States, Markit Manufacturing PMI for January will be announced on Monday, 3 February

## Technical Overview

Index closed with a loss of 4.79% at 11661.85. Index opened this week with gap down and remained under pressure throughout the week closing near week low. Index has formed bearish engulfing pattern at the peak which is bearish signal for short term trend. Going ahead index has support at 11600-11540-11500 while resistance is seen at 11720-11770-11830.

1-Nifty 50 - 01/02/20



Source: Falcon, BP Equities Research



## Weekly Wealth

## DOMESTIC INDICES

Index	01-Feb-20	24-Jan-20	Weekly % Chg
Nifty	11,662	12,248	-4.8
Nifty Next 50	27,341	29,154	-6.2
Nifty 100	11,769	12,387	-5.0
Nifty 500	9,606	10,084	-4.7
Nifty Midcap 100	17,521	18,357	-4.6
Sensex	39,736	41,613	-4.5
BSE 100 Index	11,768	12,382	-5.0
BSE 200 Index	4,911	5,163	-4.9
BSE 500 Index	15,248	16,013	-4.8
BSE Mid-Cap	15,120	15,823	-4.4
BSE Small Cap	14,345	14,846	-3.4

## WORLD INDICES

Index	01-Feb-20	24-Jan-20	Weekly % Chg
Nikkei Index	23,205	23,827	-2.6
Hang Sang Index	26,313	27,950	-5.9
Kospi Index	2,119	2,246	-5.7
Shanghai SE Composite	2,977	2,977	0.0
Strait Times Index	3,154	3,240	-2.7
Dow Jones	28,256	29,160	-3.1
NASDAQ	9,151	9,402	-2.7
FTSE	7,286	7,629	-4.5

## FOREX

Currency	01-Feb-20	24-Jan-20	Weekly % Chg
US\$ (Rs.)	71.5	71.3	0.3
GBP (Rs.)	94.4	93.3	1.2
Euro (Rs.)	79.3	78.6	0.9
Yen (Rs.) 100 Units	66.0	65.0	1.5

## NIFTY TOP GAINERS (WEEKLY)

Scrip	01-Feb-20	24-Jan-20	Weekly % Chg
Dr. Reddy's Labs	3123.1	3031.4	3.0
Tech Mahindra Ltd.	807.6	787.3	2.6
Bajaj Auto Ltd.	3143.3	3074.2	2.3
Bajaj Finance L	4276.1	4194.5	1.9
Bharti Infratel Ltd.	247.2	244.3	1.2

## FII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
31-Jan-20	5,142.7	9,321.8	-4,179.1
30-Jan-20	4,674.2	5,636.5	-962.3
29-Jan-20	5,012.4	6,026.7	-1,014.3
28-Jan-20	4,871.9	6,229.4	-1,357.6
27-Jan-20	3,025.7	3,464.6	-438.9
<u>MTD</u>	87,964.5	95,009.1	(7,044.7)

## NIFTY TOP LOSERS (WEEKLY)

Scrip	01-Feb-20	24-Jan-20	Weekly % Chg
Vedanta	134.9	155.9	-13.5
HPCL	423.8	483.4	-12.3
ONGC	104.4	118.4	-11.8
YES Bank Ltd.	37.9	42.8	-11.5
Tata Motors Ltd.	165.6	186.5	-11.2

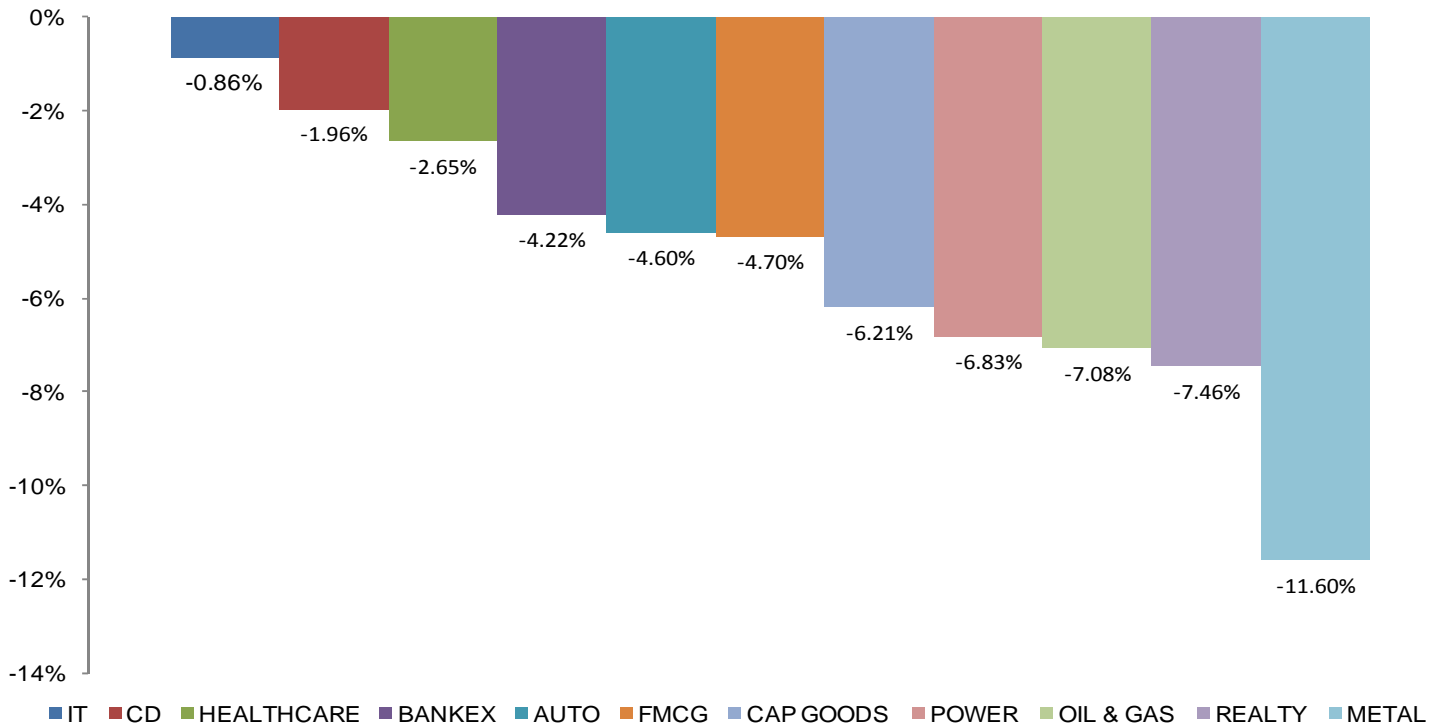
## DII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
31-Jan-20	7,024.6	3,208.2	3,816.4
30-Jan-20	3,748.4	3,456.0	292.4
29-Jan-20	4,663.0	3,142.1	1,520.9
28-Jan-20	4,857.6	4,145.9	711.7
27-Jan-20	3,451.6	3,441.1	10.5
<u>MTD</u>	71,009.3	69,214.7	1,794.5

# Weekly Wealth

## BSE WEEKLY SECTORAL PERFORMANCE



Source: BSE, BP Equities Research

## TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	31-Jan-20	24-Jan-20	Weekly Change (%)	31-Jan-20	24-Jan-20	Weekly Change (%)
	Share Price (Rs.)			Open Interest		
ONGC	106.1	118	-10.1	85685900	35358400	142.3
COALINDIA	179.2	193.9	-7.6	51745500	23970600	115.9
OIL	128.6	140.8	-8.7	13113342	6315342	107.6
NTPC	110.1	114.5	-3.8	132182400	73910400	78.8
BEL	88.5	101.85	-13.1	50010000	30768000	62.5

## TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	31-Jan-20	24-Jan-20	Weekly Change (%)	31-Jan-20	24-Jan-20	Weekly Change (%)
	Share Price (Rs.)			Open Interest		
HEROMOTOCO	2456.1	2467.85	-0.5	3344000	1997000	-40.3
MINDTREE	883.65	895.35	-1.3	1326400	855200	-35.5
EICHERMOT	20302.4	20957.5	-3.1	309420	215340	-30.4
BALKRISIND	1072.35	1108	-3.2	1698400	1198400	-29.4
DIVISLAB	1961.05	1911.8	2.6	2109200	1557600	-26.2

## BULK DEALS

Date	Scrip Name	Client Name	Exchange	Deal Type	Qty	Trade Price
27.01.2020	La Opala RG	HDFC MUTUAL FUND A/C MONTHLY IN-COME PLAN	NSE	BUY	4447000	189.9
28.01.2020	Narayana Hruda	CDC GROUP PLC	BSE	SELL	8174432	340
29.01.2020	CCL Products	SMALLCAP WORLD FUND INC	NSE	SELL	2102382	206.7
29.01.2020	Strides Pharma	APAX GLOBAL ALPHA LIMITED	BSE	SELL	954092	445
30.01.2020	MCX	CREDIT SUISSE (SINGAPORE) LIMITED	NSE	SELL	2102382	1285.6

(Source: NSE,BSE, BP Equities Research)

### **Govt to provide facility of instant PAN through Aadhaar**

Soon, you can get a Permanent Account Number (PAN) instantly on the basis of your Aadhaar, without filling a detailed application form. The finance minister, in her budget speech: "In the last Budget, I had introduced the interchangeability of PAN and Aadhaar for which necessary rules were already notified. In order to further ease the process of allotment of PAN, soon we will launch a system under which PAN shall be instantly allotted online on the basis of Aadhaar without any requirement for filling up of detailed application form." This is another step in achieving interportability of PAN and Aadhaar.

The Central Board of Direct Taxes (CBDT), via a notification dated November 6, amended more than 100 forms where now an individual can quote either his Aadhaar number in lieu of PAN.

#### **Inter portability of PAN-Aadhaar**

For instance, Chartered Account Naveen Wadhwa, DGM, Taxmann.com says, "The amendment in Rule 114B of the income tax laws allow an individual to use his/her Aadhaar number to open a bank account instead of PAN. However, know-your-customer (KYC) forms have not been amended by the government. Therefore, while opening a new bank account, as part of the KYC process, an individual will have to submit their PAN."

Wadhwa further said, "The amended income tax law allows an individuals to quote their Aadhaar number in lieu of PAN where quoting of PAN is mandatory. The changes allow an individual to give their landlord's Aadhaar number to the employer to claim HRA exemption, provided the landlord has either linked his Aadhaar with PAN or he has not obtained the PAN yet."

Apart from this, you can submit Form 15G/ 15H to the bank using your Aadhaar number instead of PAN to the bank to avoid higher TDS on the interest earned from a fixed deposit. Abhishek Soni, CEO and founder, Tax2win.in, an ITR filing website, says "Notification dated November 6, 2019 has amended Form 15G (Individuals)/Form 15H (senior citizens) which allows quoting of either Aadhaar number or PAN to avoid higher TDS in Form 15G/Form 15H. Therefore, to avoid higher TDS deduction from this financial year, individuals and senior citizens can give Aadhaar number instead of PAN to their bank. However, do keep in mind that the Form 16A given to you by your bank will reflect your Aadhaar number instead of your PAN."

(Source: Economic Times)

## Banks

## 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. The Bank's segments include treasury, corporate banking, retail banking and other banking business. The Treasury segment consists of its investment portfolio, and money market borrowing and lending among others, corporate banking segment provides loans, non-fund facilities and transaction services to corporate relationship not included under retail banking, corporate advisory, project appraisal placement and syndication while, retail banking segment constitutes lending to individuals/business banking customers through the branch network and other delivery channels depending on orientation, nature of product, granularity of the exposure and the quantum thereof.

## Investment Rationale

## Strong operational performance led by reduction in cost of funds

In Q3FY20, bank's operating expenses increased due to opening up of new branches, brand improvement and business sourcing with a cost to assets being at 3.9% in annualized terms. However, on the other side, Cost to Income ratio has been down at 68% led by better NII supported by tailwinds from lower costs, improvement in mix (retail 49% of loan assets) up by 400 bps sequentially. while other income increased led by treasury gains which were strong aiding to deliver in core PPOP. Further, 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.

## 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 shifting its loan mix to retail segment with to retail loan assets growing by 42% Q3FY20 to Q3FY19 and 7.2% on sequentially basis with an improved mix of 49% out of total loan assets. Meanwhile, retail Casa and core retail deposits grew to 43.4%YoY vs 33.9% QoQ which provide a confidence for opening up of new branches, 73 new branches were opened during the quarter leading to 424 branches till date. In the next 5 years, the bank has planned to hit a target of 600-700 branches which would be suitably supported by the attractive product propositions and other associated services as well as cross-selling opportunities.

## 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 0.6% and RoE to 5.7% by FY22E 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 FY22 book value implying a target price of INR 47.

## Stock Rating

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

## Sector Outlook

Positive

## Stock

CMP (INR)	40
Target Price (INR)	47
NSE Symbol	IDFCFIRSTB
Bloomberg	IDFCB IN
Reuters	IDFB.BO

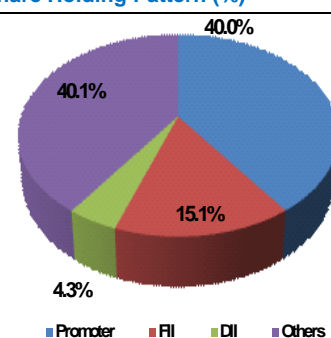
## Key Data

Nifty	11,661
52WeekH/L(INR)	56/36
O/s Shares (Mn)	4769.5
Market Cap (INR bn)	189
Face Value (INR)	10

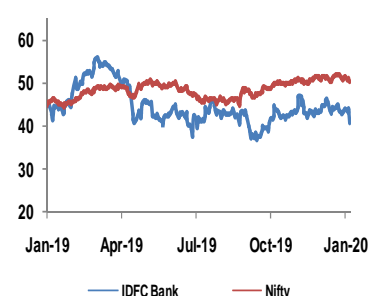
## Average volume

3 months	17,257,100
6 months	17,532,310
1 year	17,262,310

## Share Holding Pattern (%)



## Relative Price Chart



## Weekly Wealth

Key Financials					
YE March (INR mn)	FY18	FY19	FY20E	FY21E	FY22E
<b>Net Interest Income</b>	<b>19,725</b>	<b>34,608</b>	<b>51,210</b>	<b>61,315</b>	<b>72,474</b>
<i>Revenue Growth (Y-o-Y)</i>	<i>(4.4%)</i>	<i>75.5%</i>	<i>48.0%</i>	<i>19.7%</i>	<i>18.2%</i>
<b>Pre-Provisioning Profits</b>	<b>12,955</b>	<b>7,742</b>	<b>12,620</b>	<b>23,100</b>	<b>28,921</b>
<i>Growth (Y-o-Y)</i>	<i>(26.0%)</i>	<i>(40.2%)</i>	<i>63.0%</i>	<i>83.0%</i>	<i>25.2%</i>
<b>Net Profit</b>	<b>9,555</b>	<b>(19,345)</b>	<b>(3,680)</b>	<b>8,010</b>	<b>11,310</b>
<i>Net Profit Growth (Y-o-Y)</i>	<i>(10.1%)</i>	<i>(302.5%)</i>	<i>(81.0%)</i>	<i>(317.7%)</i>	<i>41.2%</i>
<b>EPS</b>	<b>2.6</b>	<b>(4.8)</b>	<b>(0.8)</b>	<b>1.7</b>	<b>2.4</b>
<i>Diluted EPS Growth (Y-o-Y)</i>	<i>(13.8%)</i>	<i>(285.7%)</i>	<i>(84.0%)</i>	<i>(317.7%)</i>	<i>41.2%</i>
Key Ratios					
<b>NIM (%)</b>	<b>1.6%</b>	<b>2.1%</b>	<b>3.1%</b>	<b>3.5%</b>	<b>3.9%</b>
<b>ROA (%)</b>	<b>0.8%</b>	<b>-1.2%</b>	<b>-0.2%</b>	<b>0.5%</b>	<b>0.6%</b>
<b>RoE (%)</b>	<b>6.3%</b>	<b>-10.6%</b>	<b>-2.1%</b>	<b>4.4%</b>	<b>5.7%</b>
<b>BV per Share</b>	<b>45.0</b>	<b>38.0</b>	<b>37.0</b>	<b>38.0</b>	<b>41.4</b>
Valuation Ratios					
<b>P/E (x)</b>	<b>15.5x</b>	<b>-8.3x</b>	<b>-52.1x</b>	<b>23.9x</b>	<b>16.9x</b>
<b>P/BV (x)</b>	<b>0.9x</b>	<b>1.1x</b>	<b>1.1x</b>	<b>1.1x</b>	<b>1.0x</b>



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