

## Week Gone

- ⇒ TVS Motor Company said that it estimates Coronavirus would lead to a 10% drop in production for February 2020.
- ⇒ L&T said its construction arm has secured orders from prestigious clients for its varied businesses in India and abroad.
- ⇒ On the political front, US President Donald Trump and his wife Melania were in India on a 36-hour trip. They visited Ahmedabad, Agra and New Delhi. It was Trump's first presidential visit to India.
- ⇒ Overseas, in Japan, data showed retail sales in Japan declining 0.4% year-on-year in January.

## Week ahead

- ⇒ On the primary market front, initial public offer (IPO) of SBI Cards and Payment Services will open on 2 March 2020. The price band is Rs 750 to Rs 755 per share. The IPO closes on 5 March 2020.
- ⇒ Auto stocks will be in focus as auto companies will start announcing monthly sales numbers for February starting from 1 March 2020.
- ⇒ Markit Services PMI for February will be declared on Wednesday, 4 March 2020.
- ⇒ Overseas, China will announce Caixin Manufacturing PMI for February on Monday 2 March 2020.

## Technical Overview

Index closed with a loss of 7.28% at 11202. Index opened this week with gap down and witnessed strong selling pressure throughout the week closing the week near lows. Index has formed wide long bearish candlestick which indicates bears dominance over bulls. Going ahead index can test lower end of trendline which is placed near 11100-11050, failing to hold the support area will call for further selling pressure towards 10900-10800 while on higher side resistance is seen at 11300-11370-11460.



Source: Falcon, BP Equities Research

# Weekly Wealth

## DOMESTIC INDICES

Index	28-Feb-20	20-Feb-20	Weekly % Chg
Nifty	11,202	12,081	-7.3
Nifty Next 50	26,482	28,670	-7.6
Nifty 100	11,316	12,211	-7.3
Nifty 500	9,236	9,959	-7.3
Nifty Midcap 100	16,786	18,110	-7.3
Sensex	38,297	41,170	-7.0
BSE 100 Index	11,293	12,195	-7.4
BSE 200 Index	4,719	5,093	-7.4
BSE 500 Index	14,628	15,787	-7.3
BSE Mid-Cap	14,600	15,694	-7.0
BSE Small Cap	13,709	14,747	-7.0

## WORLD INDICES

Index	28-Feb-20	20-Feb-20	Weekly % Chg
Nikkei Index	21,143	23,479	-10.0
Hang Sang Index	26,130	27,609	-5.4
Kospi Index	1,987	2,196	-9.5
Shanghai SE Composite	2,880	3,030	-4.9
Strait Times Index	3,011	3,199	-5.9
Dow Jones	25,409	29,348	-13.4
NASDAQ	8,567	9,817	-12.7
FTSE	6,581	7,461	-11.8

## FOREX

Currency	20-Feb-20	14-Feb-20	Weekly % Chg
US\$ (Rs.)	72.1	71.6	0.7
GBP (Rs.)	92.5	92.1	0.4
Euro (Rs.)	79.5	77.3	2.8
Yen (Rs.) 100 Units	66.7	63.9	4.4

## NIFTY TOP GAINERS (WEEKLY)

Scrip	28-Feb-20	20-Feb-20	Weekly % Chg
Indian Oil Corp	105.8	105.7	0.1

## NIFTY TOP LOSERS (WEEKLY)

Scrip	28-Feb-20	20-Feb-20	Weekly % Chg
Vedanta	114.0	142.4	-19.9
Tata Motors Ltd.	129.0	158.5	-18.6
Hindalco Indus.	155.9	190.0	-17.9
JSW Steel	235.7	281.8	-16.4
Tata Steel	381.8	443.6	-13.9

## FII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
28-Feb-20	14,161.8	15,590.6	-1,428.7
27-Feb-20	5,548.3	8,675.7	-3,127.4
26-Feb-20	5,821.6	7,138.3	366.2
25-Feb-20	5,356.9	7,034.7	-1,200.3
24-Feb-20	5,969.3	2,248.7	-1,199.5
<u>MTD</u>	102,958.7	113,405.1	(10,446.4)

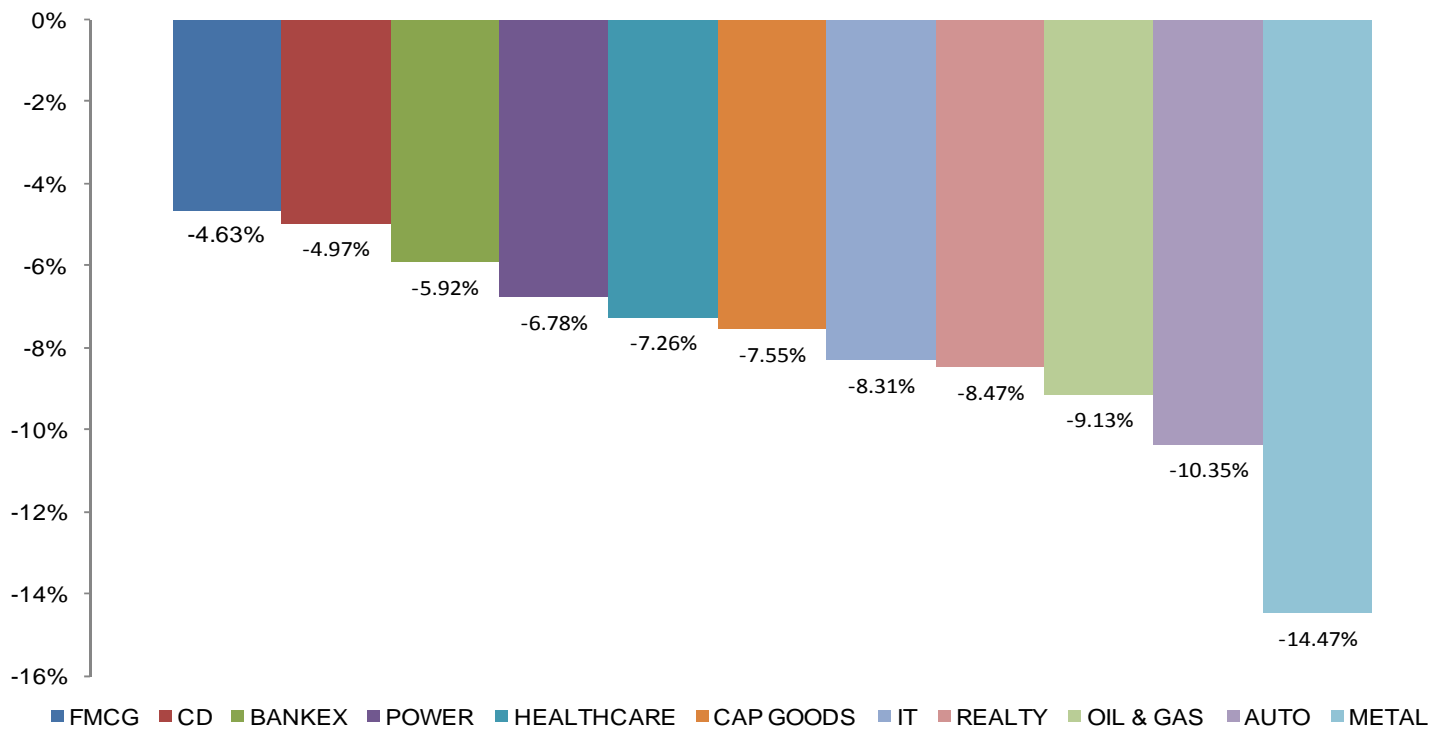
## DII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
28-Feb-20	11,757.1	4,135.9	7,621.2
27-Feb-20	6,695.9	3,198.4	3,497.5
26-Feb-20	6,635.5	3,849.8	2,785.7
25-Feb-20	4,386.8	2,821.5	1,565.3
24-Feb-20	4,171.7	3,655.5	516.2
<u>MTD</u>	79,568.9	63,780.6	15,788.4

# Weekly Wealth

## BSE WEEKLY SECTORAL PERFORMANCE



Source: BSE, BP Equities Research

## TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	28-Feb-20 Share Price (Rs.)	20-Feb-20 Share Price (Rs.)	Weekly Change (%)	28-Feb-20 Open Interest	20-Feb-20 Open Interest	Weekly Change (%)
AMARAJABAT	637.7	772.6	-17.5	2065600	1643200	25.7
MGL	995.35	1130.55	-12.0	2592600	2107200	23.0
BAJAJ-AUTO	2770.8	3067.4	-9.7	1975500	1651500	19.6
PFC	109.4	132.3	-17.3	45371600	40498400	12.0
MCDOWELL-N	683.7	724.4	-5.6	14957500	13386250	11.7

## TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	28-Feb-20 Share Price (Rs.)	20-Feb-20 Share Price (Rs.)	Weekly Change (%)	28-Feb-20 Open Interest	20-Feb-20 Open Interest	Weekly Change (%)
PETRONET	244.45	267.9	-8.8	7908000	20349000	-61.1
MFSL	574.45	566	1.5	2532400	6086600	-58.4
AMBUJACEM	205.1	205.8	-0.4	19865000	40725000	-51.2
TCS	1980.15	2161.95	-8.4	6354000	12987500	-51.1
TATACHEM	711.4	766.05	-7.1	1980000	3979800	-50.2

### **4 expenses that can help you save tax under section 80C**

Most people are aware that they can save tax under section 80C by investing in notified schemes such as PPF (Public Provident Fund), ELSS (Equity-linked saving scheme) or insurance. However, you should be aware that there are certain expenditures that are permitted under section 80C of the Income Tax Act, 1961 which can help you in saving tax too. If you have incurred any of the below mentioned expenses in the current financial year i.e. FY 2018-19, then you can claim deduction for it up to a maximum of Rs 1.5 lakh. If the expenditure incurred totals Rs 1.5 lakh or more, then you need not make any investment to fully use the section 80C tax saving limit.

#### **Tuition fees of children**

Did you know that payments made by you as tuition fees for your children can be claimed as a deduction from your gross taxable income thereby reducing your tax payable? According to the Act, any tuition fees paid whether at the time of admission or thereafter to any university, college, school or other educational institution is eligible for this deduction.

However, only fees paid for studies pursued full time can be claimed as a deduction to save tax under this section. This also includes fees paid for any play school activities, pre-nursery and nursery classes. In addition to that, any payment made as development fees or donation or payment of similar nature will not be taken as tuition fees.

#### **Home Loan Principal Repayment**

As a home loan buyer, section 80C can bring you relief as you are required to pay hefty equated monthly instalments (EMI). The EMI paid by you every month has two components: Principal and interest. The total amount of principal paid by you in a financial year (1 April to 31 March) can be claimed as a deduction from gross total income under section 80C before calculating the net taxable income. This deduction can be claimed not just by individuals but also by Hindu Undivided Families (HUFs).

#### **Certain payments for the purchase/construction of residential house property**

If you have bought a house, then there are certain charges that are required to be paid apart from the cost of house. According to the Income Tax Act, any stamp duty, registration fee and other expenses incurred for the purpose of buying a house is eligible for deduction from gross total income in the financial year in which these expenses are incurred. Here, 'other expenses' include any other statutory expenses similar to stamp duty or registration charges (if any applicable on transfer of property). It is to be noted that it does not matter whether an individual has taken loan or not to acquire the property.

#### **Payment to development authority, housing board or other authority for the purchase of house**

If you have bought a house under the instalment finance scheme from a development authority such as the Delhi Development Authority (DDA) and are paying the instalment to DDA then any amount paid towards principal repayment can also be claimed as deduction u/s 80C adds Chandak.

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(Source: Economic Times)

## Weekly Wealth

### Bulk Deals

Date	Scrip Name	Client Name	Exchange	Deal Type	Qty	Trade Price
20.02.2020	Nath Bio-Genes	AKASH FARMS LLP	BSE	BUY	100000	369.9
24.02.2020	Delta Corp	SMALLER CAP WORLD FUND INC	NSE	SELL	1739000	160
24.02.2020	TACL	ABAKKUS EMERGING OPPORTUNITIES FUND - 1	BSE	BUY	72000	530
25.02.2020	Tata Chemicals	TATA SONS PRIVATE LIMITED	NSE	BUY	1621075	749.6
26.02.2020	Tata Chemicals	TATA SONS PRIVATE LIMITED	NSE	BUY	1496738	742.4

(Source: NSE,BSE, BP Equities Research)

## NBFC

## Company Overview

Bajaj Finance Limited (BFL) incorporated in 1987 is a subsidiary of Bajaj Finserv limited and one of the leading NBFCs in India. BFL operates with two subsidiaries namely Bajaj Housing Finance Limited and Bajaj Financial Securities Limited. The company has a diversified loan book spanning various segments such as consumer finance, commercial finance, rural finance and SME finance. The services offered under these segments comprise of home loan, loan against property, consumer durable loans, personal loans etc. The company is present across 944 urban locations and 951 rural locations covering 1,895 locations in India with over 97,000+ distribution points.

## Investment Rationale

## Strong position in retail financing facilitates cross sales credit and fee based product

Over the decades, Bajaj Finance has achieved strong position in underpenetrated consumer finance segment through its strategical approach by adding lines, targeting potential consumer and underwriting risks via technology platforms. Currently, it caters to ~40 mn customers by providing loans including vehicle (two- & three wheelers), consumer durable, digital/lifestyle product and salaried personal loans based on their credit worthiness. Currently, 66% of their new customers have a strong credit history which while remaining are entirely new. Therefore, strong consumer financing enables to gain traction and acquire new customers which facilitates cross sales of company's credit and fee based products

## Scalable platform and strong brand franchise provides headroom for growth

Company has capitalized on expansion across product, platform and footprints. In the past 8 years, they have increased its presence from 79 locations to 1.9k locations with an increase of more than 66k merchant stores. BFL has made an investment in longer duration loan products such as home loans which provides greater scalability to acquire more customers and constantly evaluates new products/services to be added to the platform to enhance reach and addressability. This coupled with a strong brand franchise provides scale enabling the company to lend competitively, thereby helping in sustaining margins.

## Reduction in cost of funds and robust asset quality led by prudent risk management framework

Company's prudent risk management framework ensures that it is able to proactively monitor its customer base of 36.94 million customers and 21.85 million core customers. Additionally, the company also has the largest proprietary database of credit-tested consumers rivaling many of the larger banks across the country. Interest rates on bonds issued at 8.5% three years ago are now down to 8% while CPs issued three years ago at 7% interest rate are now down to 6.4% largely benefitting from an easing interest rate scenario and improved credit metrics (reduced risk perception) making it possible for BFL to tap market borrowing at lower spreads with a Provision coverage ratio of 61%. It also monitors ageing of portfolio by product with strong levels of disclosures further provide confidence in the asset quality.

## Valuation and outlook

Bajaj finance has built a diversified NBFC that remains driven by its strong fintech platform, which not only helps in acquiring new customers but also simultaneously aids in cross selling to them, helping in lowering customer acquisition costs. The company's technology platform is scalable, which provides room for capturing future growth opportunities. This coupled with the strong brand franchise and execution ensures that profitability would also sustain going ahead. BFL's asset quality is also strong providing further comfort. Owing to the above factors We, recommend a BUY by assigning a P/BV multiple of 9.3 x of FY21 book value implying a target price of INR 5230.

## Stock Rating

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

## Sector Outlook

Positive

## Stock

CMP (INR)	4465
Target Price (INR)	5230
NSE Symbol	BAJFINANCE

Bloomberg	BAF IN
Reuters	BJFN.BO

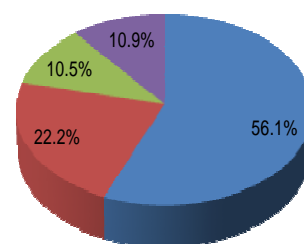
## Key Data

Nifty	11,202
52WeekH/L(INR)	4923/2630
O/s Shares (Mn)	601.6
Market Cap (INR bn)	2685
Face Value (INR)	2

## Average volume

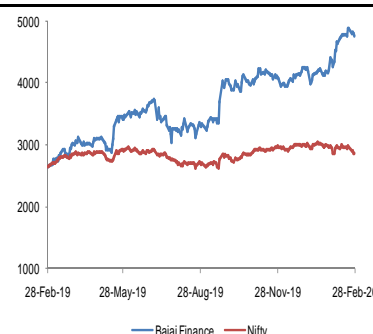
3 months	13,70,310
6 months	16,17,910
1 year	16,98,750

## Share Holding Pattern (%)



Promoters FII DII Others

## Relative Price Chart



## Weekly Wealth

Key Financials					
YE March (INR mn)	FY17	FY18	FY19	FY20E	FY21E
<b>NII</b>	<b>61,737</b>	<b>81,264</b>	<b>113,770</b>	<b>163,828</b>	<b>221,168</b>
<i>Growth (Y-o-Y)</i>	<i>55.3%</i>	<i>31.6%</i>	<i>40.0%</i>	<i>44.0%</i>	<i>35.0%</i>
<b>Operating profit</b>	<b>28,174</b>	<b>48,739</b>	<b>76,805</b>	<b>112,135</b>	<b>145,776</b>
<i>Growth (Y-o-Y)</i>	<i>12.3%</i>	<i>73.0%</i>	<i>57.6%</i>	<i>46.0%</i>	<i>30.0%</i>
<b>Net Profit</b>	<b>18,364</b>	<b>24,963</b>	<b>39,192</b>	<b>58,004</b>	<b>82,366</b>
<i>Net Profit Growth (Y-o-Y)</i>	<i>43.6%</i>	<i>35.9%</i>	<i>57.0%</i>	<i>48.0%</i>	<i>42.0%</i>
<b>Diluted EPS</b>	<b>31.8</b>	<b>43.2</b>	<b>67.8</b>	<b>100.2</b>	<b>142.3</b>
<i>Diluted EPS Growth (Y-o-Y)</i>	<i>43.6%</i>	<i>35.9%</i>	<i>57.0%</i>	<i>47.7%</i>	<i>42.0%</i>
Key Ratios					
<b>NIM (%)</b>	<b>10.9%</b>	<b>12.0%</b>	<b>12.6%</b>	<b>13.5%</b>	<b>13.5%</b>
<b>ROA (%)</b>	<b>3.2%</b>	<b>3.7%</b>	<b>4.3%</b>	<b>4.8%</b>	<b>5.0%</b>
<b>RoE (%)</b>	<b>19.1%</b>	<b>19.6%</b>	<b>22.0%</b>	<b>25.6%</b>	<b>27.7%</b>
Valuation Ratios					
<b>P/E (x)</b>	<b>145.2x</b>	<b>106.8x</b>	<b>68.0x</b>	<b>46.0x</b>	<b>32.4x</b>
<b>P/BV (x)</b>	<b>27.78</b>	<b>16.83</b>	<b>13.49</b>	<b>10.43</b>	<b>7.89</b>



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