

Week Gone

- ⇒ The benchmark indices ended lower during the week, snapping prior two week rising trend. Rising global crude oil prices , profit booking, and negative global clues but pressure on bourses. The sensex settled above 60,800 level.
- ⇒ The BSE Mid-Cap index lost 1,133.05 or 4.24% to settle at 25,566.64. The BSE Small-Cap index 1556.75 points or 5.21% to settle at 28336.31 points
- ⇒ The equity benchmarks rose for the seventh consecutive session and settled at record closing levels on 18th October 2021 before correcting.

Week Ahead

- ⇒ Trading could be volatile in the forthcoming week as traders roll over positions in the F&O segment from the near month F&O series to November Series.
- ⇒ Investment by foreign portfolio investors (FPIs) and domestic institutional investors (DIIs) will also be watched.
- ⇒ On the macro front, besides trend in the global markets , the movement of rupees against dollar and crude oil prices will dictate trend on the bourses on the near term..

Technical Overview

Index closed with a loss of 1.22% at 18115. Index opened the week with gap up but failed to capitalise the gains and remained under pressure throughout the week, ending the week near weekly low. Index has formed bearish candlestick pattern at the peak which signal caution on an ongoing trend. Also, RSI has formed bearish divergence against price which hints caution at higher levels. Going ahead index has an immediate support around 18000-17800-18560. While on the higher side resistance is placed at 18280-18400-18540.



Source: Falcon, BP Equities Research

Weekly Wealth

DOMESTIC INDICES

Index	22-Oct-21	14-Oct-21	Weekly % Chg
Nifty 50	18,114.9	18,338.6	-1.2
Nifty Next 50	42,403.8	44,597.4	-4.9
Nifty 100	18,285.2	18,610.4	-1.7
Nifty 500	15,399.7	15,769.3	-2.3
NIFTY MIDCAP 100	31,082.5	32,503.5	-4.4
S&P BSE SENSEX	60,821.6	61,306.0	-0.8
S&P BSE 100	18,331.7	18,667.9	-1.8
S&P BSE 200	7,806.4	7,965.5	-2.0
S&P BSE 500	24,495.8	25,082.5	-2.3
S&P BSE MidCap	25,566.6	26,699.7	-4.2
S&P BSE SmallCap	28,336.3	29,893.1	-5.2

WORLD INDICES

Index	22-Oct-21	14-Oct-21	Weekly % Chg
Nikkei Index	28,804.9	28,550.9	0.9
Hang Seng Index	26,126.9	25,020.3	4.4
Kospi Index	3,006.2	2,988.6	0.6
Shanghai SE Composite	3,582.6	3,558.3	0.7
Strait Times Index	3,205.1	3,164.9	1.3
Dow Jones	35,709.6	34,801.2	2.6
NASDAQ	15,166.2	14,768.7	2.7
FTSE	7,230.9	7,204.9	0.4

FOREX

Currency	22-Oct-21	14-Oct-21	Weekly % Chg
US\$ (Rs.)	74.8	75.3	-0.7
GBP (Rs.)	103.3	102.7	0.6
Euro (Rs.)	87.1	87.1	0.0
Yen (Rs.) 100 Units	65.7	66.3	-0.9

NIFTY TOP GAINERS (WEEKLY)

Scrip	22-Oct-21	14-Oct-21	Weekly % Chg
Kotak Mahindra Bank	2171.4	2017.8	7.6
Tech Mahindra	1517.4	1430.8	6.1
ICICI Bank	759.3	727.3	4.4
Yes Bank	13.8	13.2	4.5
HDFC	2903.9	2808.7	3.4

FII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
22-Oct-21	5,926.8	8,624.5	-2,697.7
21-Oct-21	11,816.2	14,635.1	-2,818.9
20-Oct-21	15,676.4	17,519.5	-1,843.1
19-Oct-21	9,298.0	9,803.8	-505.8
18-Oct-21	13,343.7	12,831.3	512.4
<u>MTD</u>	56061.3	63,414.3	-7,353.0

NIFTY TOP LOSERS (WEEKLY)

Scrip	22-Oct-21	14-Oct-21	Weekly % Chg
Asian Paints	2,982.4	3,297.8	-9.6
Hindalco	470.4	516.1	-8.9
Eicher Motors	2,612.5	2,853.2	-8.4
ITC	236.6	256.5	-7.8
Hindustan Unilever	2,454.1	2,649.5	-7.4

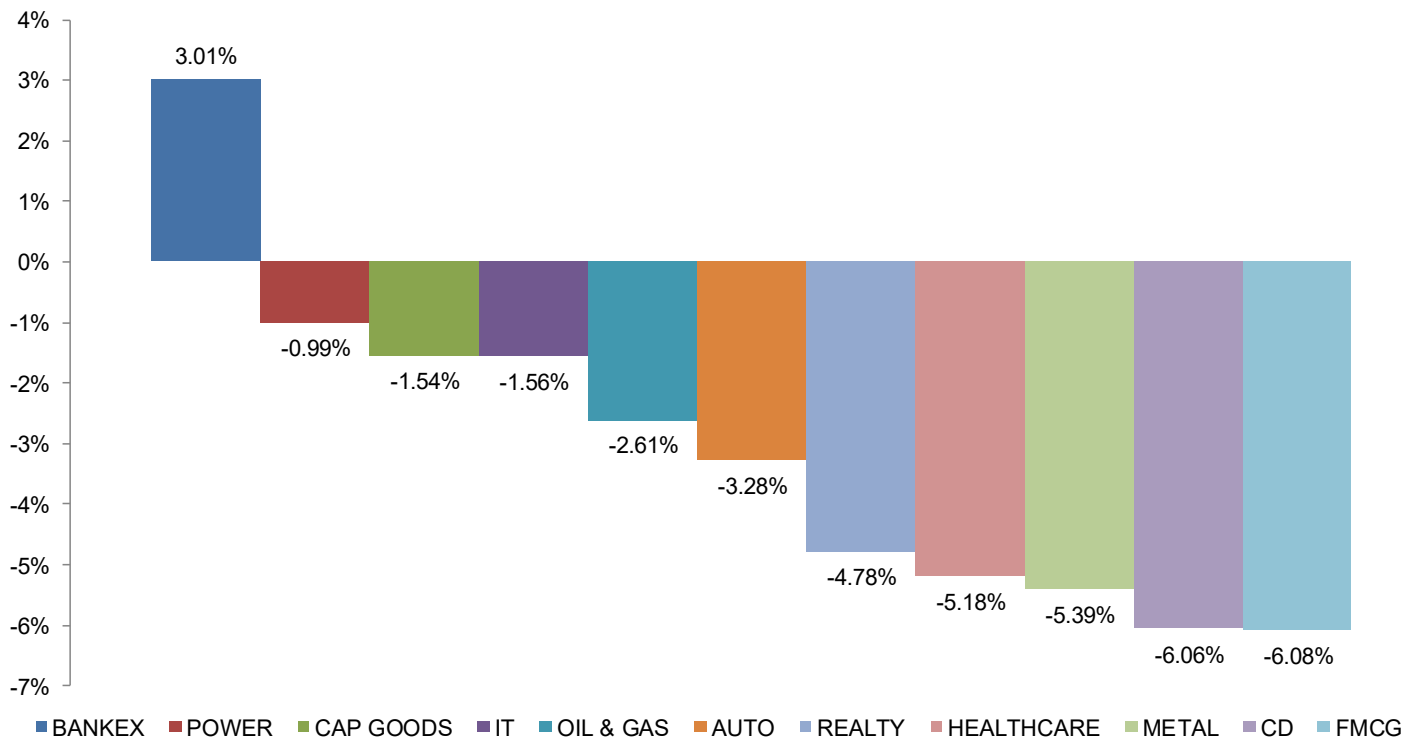
DII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
22-Oct-21	8,040.0	7,010.1	1,030.0
21-Oct-21	8,370.1	7,941.7	428.5
20-Oct-21	7,364.6	9,045.3	-1,680.7
19-Oct-21	5,456.9	8,035.1	-2,578.2
18-Oct-21	7,720.5	9,424.4	-1,703.9
<u>MTD</u>	36,952.1	41,456.5	-4,504.4

Weekly Wealth

BSE WEEKLY SECTORAL PERFORMANCE



Source: BSE, BP Equities Research

TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	14/10/21	22/10/21	Weekly % Chg	14/10/21	22/10/21	Weekly % Chg
	Share Price (Rs.)			Open Interest		
IEX	799.3	768.5	-3.9	10061250	8290000	-17.6
ADANIPTS	819.0	767.5	-6.3	91041250	54390000	-40.3
IBULHSGFIN	237.7	229.2	-3.6	35972400	17747500	-50.7
IGL	513.7	479.5	-6.6	13391125	6465250	-51.7
ITC	258.1	238.3	-7.7	173478400	77856000	-55.1

TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	14/10/21	22/10/21	Weekly % Chg	14/10/21	22/10/21	Weekly % Chg
	Share Price (Rs.)			Open Interest		
CHOLAFIN	597.3	600.3	0.5	10805000	527500	-95.1
SUNTV	554.0	552.9	-0.2	13090500	646500	-95.1
SIEMENS	2282.1	2178.8	-4.5	1619475	97350	-94.0
IDEA	10.8	10.35	-4.6	842170000	57260000	-93.2
PAGEIND	37657.1	37936.1	0.7	93990	6540	-93.0

Company Background

The Government of India incorporated Indian Railway Finance Corporation Ltd.(IRFC) in 1986 as a financing arm of the Indian Railways to raise necessary resources for meeting the developmental needs of the Indian Railways. The company's principal business is to borrow funds from financial markets to finance the acquisition/creation of assets, which are then leased out to the Indian Railways as a finance lease. IRFC is a Schedule 'A' Public Sector Enterprise under the administrative control of the MoR, the GoI. It is also registered as a systemically important non-deposit taking non-banking financial company (NBFC-ND-SI) and an infrastructure finance company (NBFC-IFC) with the Reserve Bank of India (RBI).

Investment Rationale

Strategically important to GOI

IRFC is strategically important to the GOI as it plays a vital role as the IR's financing arm, functions under the Ministry of Railways (MoR) and constitutes a crucial part of India's infrastructure. Further, the GOI has majority ownership (86.4%) in IRFC. In addition to the above, IRFC derives substantial business and financial support from the GOI. Additionally, the favourable lease agreement with MoR protects IRFC against any exchange rate volatility, interest rate fluctuations and liquidity risk. The company has a history of getting timely support from the GOI in capital infusions to ensure a comfortable capital structure.

Healthy asset quality and diversified source of funding

IRFC's relationship with the Ministry of Railways, which is the sole counterparty to IRFC on its own and via other public sector undertakings {Irrcon International Limited (IRCON) and Rail Vikas Nigam Limited (RVNL)} under its direct purview, IRFC's loan book has maintained favourable asset quality indicators and a low credit risk profile. Further, it has had zero non-performing assets till date and mainly lends to the Indian Railways (government entity). IRFC has been able to raise funds from domestic and international markets at competitive rates. It also has the approval of the GoI to issue low-cost capital gains bonds under Section 54EC of the Income Tax Act, which further supports the competitive cost of funds owing to the majority ownership of the GOI. Apart from the above, equity infusion from time-to-time by the Government of India, its long/ medium term sources of funding include term loans from banks/financial institutions, external commercial borrowings, internal accruals, asset securitization and lease financing.

Valuation and Outlook

Indian Railway Finance Corporation (IRFC), a GoI undertaking under the purview of the Ministry of Railways (MoR) is a financing arm of the Ministry of Railways. The Government of India will continue to hold a majority stake (~86.4%) in IRFC and provide vital support to the company. Further, its strategic importance to the GOI, low-risk business model, competitive cost of borrowings, cost-plus model, strong capitalization, and diversified fund sources keep us positive on the company's future growth. Given balance sheet expansion, steady-state RoE profile, higher dividend yield, we assign a fair multiple of 1x FY23E book value to IRFC. These translate to fair value for IRFC at INR34 (31% upside from CMP) with a 12 months investment horizon.

Stock Rating

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

Sector Outlook

Positive

Stock

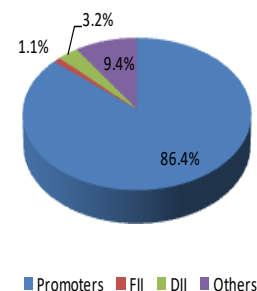
CMP (INR)	25.8
Target Price (INR)	34
NSE Symbol	IRFC
BSE Code	543257
Bloomberg	IRFC IN
Reuters	
Nifty	18,114.9
52WeekH/L(INR)	127/21
O/s Shares (Mn)	13,069
Market Cap (INR bn)	317
Face Value (INR)	10

Key Data

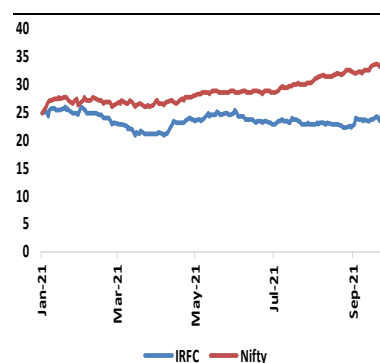
Average volume

3 months	13,163,810
6 months	18,302,570
1 year	23,645,900

Share Holding Pattern (%)



Relative Price Chart



Weekly Wealth

Key Financials					
YE March (Rs. millions)	FY19	FY20	FY21	FY22E	FY23E
Operating Income	1,11,336	1,34,210	1,57,705	1,81,045	2,03,495
<i>Revenue Growth (Y-o-Y)</i>	1.0%	20.5%	17.5%	14.8%	12.4%
Operating Profit	1,10,851	1,33,552	1,56,573	1,80,140	2,03,088
<i>EBIDTA Growth (Y-o-Y)</i>	1.0%	20.5%	17.2%	15.1%	12.7%
Net Profit	22,547	31,921	44,161	51,417	58,810
<i>Net Profit Growth (Y-o-Y)</i>	12.3%	41.6%	38.3%	16.4%	14.4%
Diluted EPS	1.7	2.4	3.4	3.9	4.5
<i>Growth (Y-o-Y)</i>	12.3%	41.6%	38.3%	16.4%	14.4%
Key Ratios					
ROAA (%)	1.2%	1.3%	1.3%	1.3%	1.3%
RoAE (%)	11.7%	11.5%	13.3%	13.6%	14.0%
BV per Share (INR.)	19	23	27	30	34
Valuation Ratios					
P/E (x)	15.0x	10.6x	7.6x	6.6x	5.7x
P/BV (x)	1.3x	1.1x	0.9x	0.9x	0.8x

Source: Company, BP Equities Research



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Disclaimer Appendix

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

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